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Gilbart, James William

Title:

The elements of banking

Place:

London

Date:

1855

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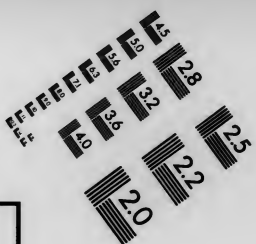
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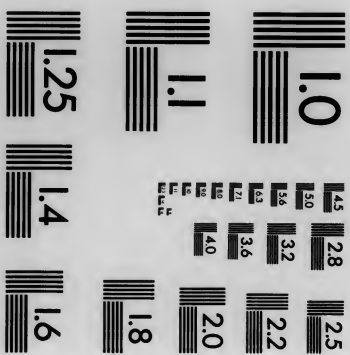


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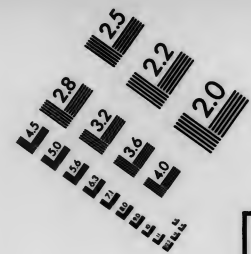
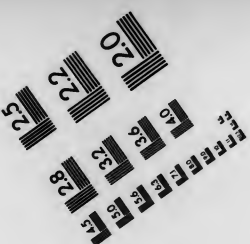
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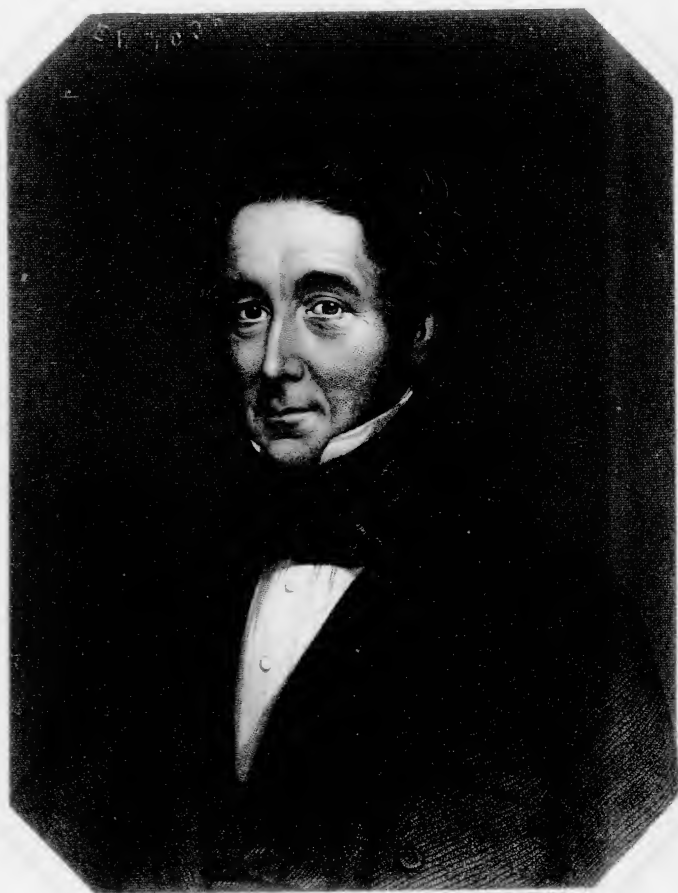
ELEMENTS
OF
BANKING

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School of Business



Sir Wm Gilbert, F.R.S.

General Manager of the London & Westminster Bank.

THE
ELEMENTS OF BANKING;

WITH
TEN MINUTES' ADVICE ABOUT KEEPING
A BANKER.

BY
J. W. GILBART, F.R.S.
GENERAL MANAGER OF THE LONDON AND WESTMINSTER BANK.

Third Edition.

LONDON :
LONGMAN, BROWN, GREEN, AND LONGMANS.
1855.

Business

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PREFACE.

MY "PRACTICAL TREATISE ON BANKING," which was at first published as a half-a-crown pamphlet, has, in the course of five editions, grown into two volumes octavo, and is sold to the public for twenty-four shillings. Whatever additional merit it may thus have acquired, it has lost all claim to be regarded as a mere elementary work. Hence has arisen the present volume. It consists chiefly of selections from the "Practical Treatise," arranged expressly for the use of those readers who are desirous of obtaining, with a small expenditure of either time or money, a general knowledge of the business of Banking. Those who desire further information are referred to the larger work.

J. W. G.

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THE ELEMENTS OF BANKING.

SECTION I.

THE NATURE OF BANKING.

"WHAT is it that we call a Banker? There is in this city a company or corporation, called goldsmiths, and most of those called bankers are of that corporation; but so far as I know, there is not a company or corporation in England called bankers, nor has the business any definition or description either by common law or by statute. By custom we call a man a banker who has an open shop, with proper counters, servants, and books, for receiving other people's money, in order to keep it safe, and return it upon demand; and when any man has opened such a shop, we call him a banker, without inquiring whether any man has given him money to keep or no; for this is a trade where no apprenticeship is required, it having never yet been supposed that a man who sets up the trade of banking, could be sued upon the statute of Queen Elizabeth, which enacts, that none shall use any art or mystery then used but such as have served an apprenticeship in the same." *

The term Bank is derived from *bancho*, the Italian word for Bench, as the Lombard Jews in Italy kept *benches* in the market-place, where they exchanged money and bills. When a banker failed, his bench was broken by the populace; and from this circumstance we have our term *bank-rupt*.

* Speech, delivered in the House of Commons, in 1746.—See the London Magazine for that year, page 120.

A banker is a dealer in capital, or more properly a dealer in money. He is an intermediate party between the borrower and the lender. He borrows of one party, and lends to another; and the difference between the terms at which he borrows and those at which he lends, forms the source of his profit. By this means he draws into active operation those small sums of money which were previously unproductive in the hands of private individuals; and at the same time furnishes accommodation to those who have need of additional capital to carry on their commercial transactions.

Banks have been divided into private and public. A private bank is that in which there are but few partners, and these attend personally to its management. A public bank is that in which there are numerous partners, and they elect from their own body a certain number, who are entrusted with its administration. The latter are usually called Joint-stock banks.

The business of banking consists chiefly in receiving deposits of money, upon which interest may or may not be allowed—in making advances of money, principally in the way of discounting bills—and in effecting the transmission of money from one place to another. Private banks in metropolitan cities are usually the agents of the banks in the provinces, and charge a commission on their transactions. In making payments, many country banks issue their own notes.

The disposable means of a bank consist of—First, the capital paid down by the partners or shareholders. Secondly, the amount of money lodged by their customers. Thirdly, the amount of notes they are able to keep out in circulation. Fourthly, the amount of money in the course of transmission—that is, money they have received, and are to repay, in some distant place, at a future time.

These disposable means are employed—First, in discounting bills. Secondly, in advances of money in the form of cash credits, loans, or overdrawn accounts. Thirdly, in the purchase of government or other securities. Fourthly, a part is kept in the banker's till, to meet the current demands. Of these four ways of employing the capital of the bank, three are productive, and

one is unproductive. The discounting of bills yields interest—the loans, and the cash credits, and the overdrawn accounts, yield interest—the government securities yield interest—the money in the till yields no interest.

The expenses of a bank may be classified thus: rent, taxes, and repairs of the house in which the business is carried on; salaries of the officers; stationer's bill for books, paper, notes, stamps, &c.; incidental expenses, as postages, coals, &c.

The profits of a bank are that portion of its total receipts—including discount, interest, dividends, and commission—which exceeds the amount of the expenses.

SECTION II.

THE UTILITY OF BANKING.

In the first place, banks are useful as places of security for the deposit of money. The circumstance which gave rise to the business of banking in this country, was a desire on the part of the merchants of London to obtain a place where they might lodge their money in security. Every one who has had the care of large sums of money, knows the anxiety which attends their custody. A person in this case must either take care of his money himself, or trust it to his servants. If he take care of it himself, he will often be put to inconvenience, and will have to deny himself holidays and comforts, of which a man who is possessed of much money would not like to be deprived.

If he entrust it to others, he must depend upon their honesty and their ability. And, although in many important cases a master is compelled to do this, yet he does not feel the same satisfaction as if the money was actually under his own care. Some instances of neglect, or of dishonesty, will necessarily occur, and these will occasion suspicion in reference to other parties against whom no suspicion ought to be entertained. Besides, in both these cases the money is lodged under the owner's own roof, and is subject to thieves, to fire, and to other contingencies, against which it is not always easy to guard.

All these evils are obviated by means of banking. The owner of money need neither take the charge of it himself, nor trust to his dependents. He can place it in the hands of his bankers. They are wealthy men, and are responsible to him for the amount. If they are robbed, it is no loss to him: they are pledged to restore to him the amount of his deposit when he shall require it. Whenever he wants money, he has only to write an order or draft upon his banker, and the person to whom he is indebted takes the draft to the bank, and without any hesitation or delay receives the money.

2. The bankers allow interest for money placed in their hands.

By means of banking the various small sums of money, which would have remained unproductive in the hands of individuals, are collected into large amounts in the hands of the bankers, who employ it in granting facilities to trade and commerce. Thus banking increases the productive capital of the nation. At the origin of banking, "the new-fashioned bankers," as they were called, allowed a certain rate of interest for money placed in their hands. The banks of Scotland carry this practice to the greatest extent, as they receive upon interest so low an amount as ten pounds; and also allow interest on the balance of a running account. Many of the country bankers in England allow interest on the balance of a running account, and charge commission on the amount of the money withdrawn. The London bankers generally do not allow interest on deposit, but neither do they charge commission. All their profits are derived from the use of their customers' money. The banks of Scotland do not charge commission, although they allow interest on deposits; but then those banks have a profit by the issue of their notes. The London bankers do not issue notes.

3. Another advantage conferred upon society by bankers is, that they make advances to persons who want to borrow money. These advances are made—by discounting bills—upon personal security—upon the joint security of the borrower and two or three of his friends—and sometimes upon mortgage. Persons engaged in trade and commerce are thus enabled to augment their capital, and

consequently their wealth. The increase of money in circulation stimulates production. When bankers are compelled to withhold their usual accommodation, both the commercial and the agricultural interests are plunged in extreme distress. The great advantage arising to a neighbourhood from the establishment of a bank, is derived mainly from the additional supplies of money advanced in the form of loans, or discounts, to the inhabitants of the place. This principle is so well understood in Scotland, that branch banks are sometimes established in poor districts, with a view of obtaining a future profit from the prosperity which the bank will introduce.*

4. Another benefit derived from bankers is, that they transmit money from one part of the country to another.

There is scarcely a person in business who has not occasion some time to send money to a distant town. But how is this to be done? He cannot send a messenger with it on purpose—that would be too expensive. He cannot send it by post—that would be too hazardous. Besides, the sum may be some fraction of a pound, and then it cannot go by post. The post, too, takes a considerable time, as three letters at least must pass on the transaction. If he live in London he may obtain a bank post bill, but he cannot obtain that in the country: and he may not be able to obtain it in London for the exact sum he wants. How, then, is the money to be sent?

Every country banker opens an account with a London banker. If, then, a person lives at Penzance, and wants to send a sum of money to Aberdeen, he will pay the money into the Penzance bank, and his friend will receive it of the Aberdeen bank. The whole transaction is this: the Penzance bank will direct their agent in London to pay the money to the London agent of the Aberdeen bank, who will be duly advised of the payment. A small commission charged by the Penzance bank, and the post-ages, constitute all the expenses incurred, and there is not the least risk of loss.

Commercial travellers, who go collecting money, derive great advantage from the banks. Instead of carrying

* Evidence before the Select Committee of the House of Commons upon the Abolition of Small Notes, p. 43.

with them, throughout the whole of their journey, all the money they have received, when perhaps it may be wanted at home, they pay it into a bank, by whom it is remitted with the greatest security, and at little expense: and they are thus delivered from an incumbrance which would have occasioned great care and anxiety.

5. Wherever a bank is established, the public are able to obtain that denomination of currency which is best adapted for carrying on the commercial operations of the place. In a town which has no bank, a person may have occasion to use small notes, and have none but large ones; and at other times he may have need of large notes, and not be able to obtain them. But where a bank is established there can be no difficulty of this kind. The banks issue that description of notes which the receivers may require, and are always ready to exchange them for others of a different denomination. Banks, too, usually supply their customers and the neighbourhood with silver; and if, on the other hand, silver should be too abundant, the banks will receive it, either as a deposit, or in exchange for their notes. Hence, where banks are established, it is easy to obtain change. This is very convenient to those who have to pay large sums in wages, or who purchase in small amounts the commodities in which they trade.

6. By means of banking there is a great saving of time in making money transactions.

How much longer time does it take to count out a sum of money in pounds, shillings, and pence, than it does to write a draft! And how much less trouble is it to receive a draft in payment of a debt, and then to pay it into the banker's, than it is to receive a sum of money in currency! What inconveniences would arise from the necessity of weighing sovereigns! What a loss of time from disputes as to the goodness or badness of particular pieces of money!

Besides the loss of time that must necessarily occur on every transaction, we must also reckon the loss which every merchant or tradesman, in an extensive line of business, would certainly sustain in the course of a year from receiving counterfeit or deficient coin, or forged notes. From all this risk he is exempt by keeping a banker. If

he receive payment of a debt, it is in the form of a draft upon his customer's banker. He pays it into his own banker's, and no coin or bank notes pass through his hands. If he draws bills, those bills are presented by his banker: and if his banker take bad money it is his own loss.

7. A merchant or tradesman who keeps a banker, saves the trouble and expense of presenting those bills or drafts which he may draw upon his customers, or which he may receive in exchange for his goods. He pays these into the hands of his banker, and has no further trouble. He has now no care about the custody of his bills—no anxiety about their being stolen—no danger of forgetting them until they are over-due, and thus exonerating the indorsers—no trouble of sending to a distance in order to demand payment. He has nothing more to do than to see the amount entered to his credit in his banker's books. If a bill be not paid, it is brought back to him on the day after it falls due, properly noted. The banker's clerk and the notary's clerk are witnesses ready to come forward to prove that the bill has been duly presented, and the notary's ticket attached to the bill assigns the reason why it is not paid. But if any indorser of the bill has given a reference in case of need—that is, if any indorser has written on the back of the bill that some other party will pay it in case the acceptor does not—then the notary takes the bill to the referee, and procures the money from him.

This circumstance alone must cause an immense saving of expense to a mercantile house in the course of a year. Let us suppose that a merchant has only two bills due each day. These bills may be payable in distant parts of the town, so that it may take a clerk half a day to present them. And, in large mercantile establishments, it would take up the whole time of one or two clerks to present the due bills and the drafts. The salaries of these clerks are therefore saved by keeping an account at a banker's. Besides the saving of expense, it is also reasonable to suppose that losses upon bills would sometimes occur from mistakes or oversights—from miscalculation as to the time a bill would become due—from errors in marking it up—from forgetfulness to present it—or from presenting

it at the wrong house. In these cases the indorsers and the drawers are exonerated; and if the acceptor do not pay the bill, the amount is lost. In a banking-house such mistakes are not likely to occur, though they do occur sometimes; but the loss falls upon the banker, and not upon his customer.

8. Another advantage from keeping a banker in London, is, that by this means you have a continual referee as to your respectability. If a mercantile house in the country write to their agent, to ascertain the respectability of a firm in London, the first inquiry is, "Who is their banker?" And when this is ascertained, the banker is applied to through the proper channel, and he gives his testimony as to the respectability of his customer. When a trader gives his bill, it circulates through the hands of many individuals to whom he is personally unknown; but if the bill is made payable at a banking-house, it bears on its face a reference to a party to whom the acceptor is known, and who must have some knowledge of his character as a tradesman. This may be an immense advantage to a man in business, as a means of increasing his credit; and credit, Dr. Franklin says, is money.

9. The keeping an account at a banking-house, enables a trader not only to give a constant reference as to his own respectability, but it also enables him to ascertain the respectability of other persons who keep bankers. There are numerous cases in which a trader may wish to know this. A stranger may bring him a bill, and want goods in exchange: or he may have drawn a bill upon a customer, and wishes to ascertain if this bill would be paid, before he gave him any further credit. If this bill is not made payable at a banking-house, he can obtain no information. But suppose the bill is made payable at a banking-house; even then he can obtain no information, unless he himself has a banker. If he take the bill to the banker's, at whose house it is made payable, and say, "Gentlemen, I will thank you to inform me if the acceptor of this bill be a respectable man—May I safely give goods or money in exchange for it?" they will reply, "Sir, we never answer such questions to strangers." But if the holder of this bill keeps an account at a banker's, he has

only to ask his banker to make the inquiry for him, and he will easily obtain the most ample information. Among nearly all the bankers in London, the practice is established of giving information to each other as to the respectability of their customers. For as the bankers themselves are the greatest discounters of bills, it is their interest to follow this practice; and indeed the interest of their customers also, of those at least who are respectable.

10. By means of banking, people are able to preserve an authentic record of their annual expenditure. If a person pays in to his banker all the money he receives in the course of a year, and makes all his payments by cheques—then by looking over his bank-book at the end of the year he will readily see the total amount of his receipts, and the various items of his expenditure. This is very useful to persons who have not habits of business, and who may therefore be in danger of living beyond their means. It is useless to advise such persons to keep an account of their expenses—they will do no such thing; but when short of money at Christmas to pay their tradesmen's bills, they may take the trouble of looking over their bank-book, and noticing how many cheques were drawn for the purchase of unnecessary articles. A bank account is useful also in case of disputed payments. People do not always take receipts for money they pay to their tradesmen, and when they do the receipts may become lost or mislaid. In case of death or of omission to enter the amount in the creditor's books, the money may be demanded again. Should the payment have been made in bank notes or sovereigns, the payer can offer no legal proof of having settled the account; but if the account was discharged by a cheque on a banker, the cheque can be produced, and the payment proved by the officers of the bank, who can be subpoenaed for that purpose.

11. Another advantage resulting from keeping a banker in London, is, that the party has a secure place of deposit for any deeds, papers, or other property that may require peculiar care. Any customer who pleases may have a tin box, which he may leave with his banker in the evening, and call for it in the morning. In this box he might place his will, the lease of his house, policies of insurance,

or any other documents he wished to preserve against fire. Stock-brokers and others who have offices in the city, and live out of town, have such boxes, which they leave overnight with their banker for the sake of security, in preference to leaving them in their own office. If a party were going to the country, he might send his plate or jewellery to his banker, who will lock it up in his strong-room, and thus it will be preserved from fire and thieves until his return. Solicitors and others, who have deeds or other writings of importance left in their custody, can send them to the bank during the night, and thus avoid the danger of fire.

12. By keeping a banker, people have a ready channel of obtaining much information that will be useful to them in the way of their business. They will know the way in which bankers keep their accounts; they will learn many of the laws and customs relating to bills of exchange. By asking the banker, or any of the clerks, they may know which is the readiest way of remitting any money they have to send to any part of the country or to the continent. If they have to buy or sell any stock in the public funds, the banker can give them the name of a respectable broker who can manage the business; or should they be about to travel, and wish to know the best way of receiving money abroad; or be appointed executors to a will, and have to settle some money matters—the banker will in these, and many other cases, be able to give them the necessary information.

13. Banking also exercises a powerful influence upon the morals of society. It tends to produce honesty and punctuality in pecuniary engagements. Bankers, for their own interest, always have a regard to the moral character of the party with whom they deal; they inquire whether he be honest or tricky, industrious or idle, prudent or speculative, thrifty or prodigal; and they will more readily make advances to a man of moderate property and good morals, than to a man of large property but of inferior reputation. Thus the establishment of a bank in any place immediately advances the pecuniary value of a good moral character. There are numerous instances of persons having arisen from obscurity to wealth only by means of

their moral character, and the confidence which that character produced in the mind of their banker. It is not merely by way of loan or discount that a banker serves such a person. He also speaks well of him to those persons who may make inquiries respecting him: and the banker's good opinion will be the means of procuring him a higher degree of credit with the parties with whom he trades. These effects are easily perceivable in country towns; and even in London, if a house be known to have engaged in gambling or smuggling transactions, or in any other way to have acted discredibly, their bills will be taken by the bankers less readily than those of an honourable house of inferior property.

It is thus that bankers perform the functions of public conservators of the commercial virtues. From motives of private interest they encourage the industrious, the prudent, the punctual, and the honest—while they discountenance the spendthrift and the gambler, the liar and the knave. They hold out inducements to uprightness, which are not disregarded by even the most abandoned. There is many a man who would be deterred from dishonesty by the frown of a banker, though he might care but little for the admonitions of a bishop.

SECTION III.

THE GENERAL ADMINISTRATION OF A BANK.

To be a good banker requires some intellectual and some moral qualifications. A banker need not be a man of talent, but he should be a man of wisdom. Talent, in the sense in which the word is ordinarily used, implies a strong development of some one faculty of the mind. Wisdom implies the due proportion of all the faculties. A banker need not be a poet or a philosopher—a man of science or of literature—an orator or a statesman. He need not possess any one remarkable quality by which he is distinguished from the rest of mankind. He will possibly be a better banker without any of these distinctions. It is only necessary that he should possess a large portion

of that practical quality which is called common sense. Banking talent (using the word *talent* here in the sense of adaptation of character to any particular pursuit) consists more in the union of a number of qualities, not in themselves individually of a striking character, but rare only in their combination in the same person. It is a mistake to suppose that banking is such a routine employment that it requires neither knowledge nor skill. The number of banks that have failed within the last fifty years are sufficient to show, that to be a good banker requires qualities as rare and as important as those which are necessary to attain eminence in any other pursuit.

A banker should always have general principles; that is, he should have fixed rules for the government of his bank. He should know beforehand whether he will or will not advance money on mortgage, or upon deeds, or upon bills of lading, or warrants; or whether he will discount bills based upon uncommercial transactions, or having more than three months to run. These are only a few of the cases in which a banker will find it useful to store his mind with general principles. One advantage of this adoption of general principles is, that it saves time. If a banker can say, in reply to a customer, "It is contrary to the rules of our bank to advance money upon bills of lading," the reply is conclusive. But if he had not previously adopted any rule upon the subject, the reply would have taken up much more time. Another advantage is, that it gives decision of mind, and saves the banker from being "talked over" by any of his customers who may possess fluency of speech or dexterity in debate. In this case, the banker whose mind is stored with general principles, though he may listen patiently to all his customer shall advance, will give the same reply which he would have given had the application been made in fewer words.

But while we contend that every banker should have general principles, we do not say that in no possible case should he depart from them. But he should not look for such cases; they are rare, and when they do occur they will force themselves upon his attention. If under shelter of the truism, "All rules have their exceptions," he departs from his general principles whenever he finds it

convenient or profitable to do so, he may as well have no general principles at all.

It seems desirable that a banker in a large city should mark out for himself one or two main branches of business, rather than attempt to carry on banking in all its branches. We see this line of conduct adopted by some of the most eminent London bankers. A west-end banker will not discount a bill: a city banker will not lend money on mortgage. Different kinds of banking exist in different parts of the country, according to the character and circumstances of the district. And in London the classes of people are numerous, and it may be both proper and advantageous for a banker to adapt his mode of business chiefly to the requirements of some one particular class. Different banks may thus pursue different courses, and all be equally successful.

A banker will exercise due caution in taking new accounts. He will expect the new customer to be introduced by some person to whom he is personally known. The more respectable the introducer, the higher opinion will the banker entertain of the party introduced. If a party apply to open an account without such an introduction, he is asked to give references to some well-known houses. He is expected to state to the banker the kind of business in which he is engaged, and the extent of accommodation, if any, that he is likely to require. He will state the kind and character of the bills he will have to offer to discount, and mention any peculiarity in his business or circumstances that may occasionally require especial consideration. It is a great folly, in a party opening an account, to make any representation that will not afterwards turn out to be correct. Every banker is anxious to avoid taking shabby accounts; and especially such as are opened for the purposes of fraud, or to obtain a fictitious credit, or to get undue accommodation. It is considered to be not advisable to take the account of a party who has another banker, especially if he opens the account for the purpose of getting additional discount. The object of a party keeping two bankers, is usually to get as much accommodation as he can from each. If an account is brought from another bank, the reason of the removal

should be distinctly stated, and the banker will accept or reject it, according to circumstances. It is bad policy in a banker to attempt to draw away the connexions of another bank, by offering them greater accommodation. It is also usually bad policy to take the accounts of parties residing at a distance, as their transactions do not come under the notice of the banker; and the fact of their passing by the banks in their neighbourhood to go elsewhere, is one that should excite suspicion. It is not advisable for London bankers to grant loans or discounts to private individuals who reside in the country. They should be referred to the bankers in their own districts.*

A very important part of the business of a banker consists in the discounting of bills. The bills presented to a bank for discount may generally be divided into the following classes:—

“1st. Bills drawn by producers or manufacturers upon wholesale dealers. 2dly. Bills drawn by wholesale dealers upon retail dealers. 3dly. Bills drawn by retail dealers upon consumers. 4thly. Bills not arising out of trade, but yet drawn against value, as rent, &c. 5thly. Kites, or accommodation bills.

“The first two classes of bills are the best, and are fair, legitimate bills for bankers to discount.

“The third class ought not to be too much encouraged; they are for comparatively small amounts, and are drawn by shopkeepers and tradesmen upon their customers. To discount these bills freely would encourage extravagance in the accepters, and ultimately prove injurious to the drawers. When a man accepts bills to his butcher, baker, tailor, upholsterer, &c., he may fairly be suspected of living beyond his income. Solvent and regular people pay their tradesmen's accounts with ready money.

“The fourth class of bills, though sometimes proper, ought not to be too much encouraged. Persons out of trade have no business with bills.

“The last class of bills should always be rejected. To an experienced banker, who knows the parties, the dis-

* By the recent Stamp Act, cheques on bankers may be drawn beyond the distance of fifteen miles on a penny stamp, either to order or bearer, if payable on demand.

covery of accommodation bills is by no means difficult. They are usually drawn for even amounts, for the largest sum that the stamp will bear, and for the longest term that the bank will discount, and are presented for discount soon after they are drawn. The parties are often relations, friends, or parties, who from their avocations can have no dealings with each other.

“Not only the parties and the amounts of bills are matters of consideration to a banker, but also the time they have to run before they fall due. A bill drawn for a long term after date is usually styled, not perhaps very properly, ‘a long dated bill.’ A bill drawn at a short term is styled, ‘a short dated bill.’”*

A London banker is always anxious to avoid dead loans. Loans are usually specific advances for specified times, either with or without security. In London, advances are generally made by loans; in the country, by overdrafts. The difference arises from the different modes of conducting an account. In London, the banker is paid by the balance standing to the credit of the account. A customer who wants an advance, takes a loan of such an amount as shall not require him to keep less than his usual balance. The loan is placed to the credit of his current account, until the time arrives for its repayment, and then he is debited for the principal and the interest. The country banker is paid by a commission, and hence the advance to a customer is made by his overdrawing the account, and he is charged interest only on the amount overdrawn.

Loans are divided into short loans and dead loans. Short loans are usually the practice of the London bankers: a time is fixed for their repayment. Dead loans are those for the payment of which there is no specified time, or where the party has failed to make the repayment at the time agreed upon. In this case, too, the loan has usually been made upon *dead*—that is, upon inconvertible security. Without great caution on the part of the banker, *short* loans are very apt to become *dead* loans. A loan is first made for two or three months; the time arrives, and the customer cannot pay; then the loan is renewed, and renewed, and renewed, and ultimately the

* History and Principles of Banking, page 179.

customer fails, and the banker has to fall back upon his securities.

Dead loans are sometimes produced by lending money to rich men. A man of moderate means will be anxious not to borrow of his banker a loan which he will not be able punctually to repay, as the good opinion of his banker is necessary to his credit. But a man of property has no scruples of the kind: he has to build a house, to improve his estate, or to extend his manufactory; and he is unreasonable enough to expect that his banker will supply him with the necessary funds. He believes it will be only a temporary advance, as he will shortly be in possession of ample means. The banker lends the sum at first desired; more money is wanted; the expected supplies do not arrive; and the advance becomes a dead lock-up of capital. The loan may be very safe, and yield a good rate of interest, but the banker would rather have the money under his own control.

Dead loans are sometimes produced by lending money to parties to buy shares in public companies. There was too much business of this kind transacted by some bankers a few years ago. The party did not at first, perchance, apply to his banker to enable him to purchase the shares; but the calls were heavy, and his ready money was gone; he felt assured, however, that in a short time he should be able to sell his shares at a high profit; he persuaded his banker to pay the calls, taking the shares as security. Other calls were made, which the banker had to pay. The market fell; and the shares, if sold, would not pay the banker's advances. The sale, too, would have caused an enormous loss to the customer. The advances became a dead loan, and the banker had to wait till a favourable opportunity occurred for realizing his security.

In this, and in other ways, a banker has often much difficulty with customers of a speculative character. If he refuses what they ask, they remove their account, and give him a bad name; if he grants them their desires, they engage in speculations by which they are ruined, and probably the banker sustains loss. The point for the banker to decide is, whether he will lose them, or ruin them. It is best, in this case, for the banker to fix upon what ad-

vance he should make them, supposing they conduct their affairs prudently. And if they are dissatisfied with this, he had better let them go; after they have become bankrupts, he will get credit for his sagacity.

The discounting of bills is an ordinary matter of business, and the banker has only to see that he has good names to his bill; but in regard to loans, a banker would do well to follow the advice which Mr. Taylor gives to individuals, and not to make a loan, unless he knows the purpose for which it is borrowed, and to form his own judgment as to the wisdom of the party who borrows, and as to the probability of his having the means of repayment at the time agreed upon.

"Never lend money to a friend, unless you are satisfied that he does wisely and well in borrowing it. Borrowing is one of the most ordinary ways in which weak men sacrifice the future to the present; and thence it is that the gratitude for a loan is so proverbially evanescent: for the future, becoming present in its turn, will not be well pleased with those who have assisted in doing it an injury. By conspiring with your friend to defraud his future self, you naturally incur his future displeasure. To withstand solicitations for loans is often a great trial of firmness; the more especially as the pleas and pretexts alleged are generally made plausible at the expense of truth; for nothing breaks down a man's truthfulness more surely than pecuniary embarrassment—

'An unthrift was a liar from all time;
Never was debtor that was not deceiver.'

The refusal which is at once the most safe from vacillation, and perhaps as little apt to give offence as any, is the point-blank refusal, without reasons assigned. Acquiescence is more easily given in the decisions of a strong will, than in reasons which weak men, under the bias of self-love, will always imagine themselves competent to controvert."*

Sometimes, when an advance of money is wanted for two or three months, the party gives a note of hand. This is better than a mere loan, as it fixes the time of payment, and keeps the transaction fresh in the recollection of the borrower. But care must be taken that the note, by repeated renewals, does not in fact become a dead loan. Hence, when a renewal cannot be avoided, attempts should be made to reduce the amount. When public companies, of only a short standing and not fully constituted, wish

* Notes on Life, by John Taylor.

to borrow money of their banker, it is sometimes expedient to take the joint and several promissory note of the directors. By this means the banker avoids all knotty questions connected with the law of partnership; and the directors will, for their own sakes, see that the funds of the company shall, in due time, be rendered available for the repayment of the loan.

The rule of a banker is, never to make any advances, directly or indirectly, upon deeds or any other *dead* security. But this rule, like all other general rules, must have exceptions, and when it is proper to make an exception is a matter that must be left to the discretion of the banker. He should, however, exercise this discretion with caution and prudence, and not deviate from the rule without a special reason to justify such deviation.

Among country bankers, in agricultural districts, advances upon deeds are not considered so objectionable as in London. A landed proprietor, who wants a temporary advance, places his deeds in the hands of his banker, and takes what he requires. The banker thinks he can have no better security; but the loan is usually for only a moderate amount, and is paid off within a reasonable time. In the country, the character and circumstances of every man are known. A landlord who wants an advance to meet immediate demands, until his rents come in, seems fairly entitled to assistance from his banker. But should a landlord, who is living beyond his income, ask for an advance almost equal to the value of his deeds, he would not be likely to obtain it. Every banker is aware, that when deeds are lodged as security for loans, or discounts of any kind, interest upon the advance cannot be charged at a higher rate than five per cent.*

Another kind of security is bills of lading, and dock warrants. Advances upon securities such as these must be considered as beyond the rules which prudent bankers lay down for their own government; they can only be justified by the special circumstances of each case. In advancing upon bills of lading, the banker must see that he has *all the bills of the set*; for if he has not *all*, the holder of the absent bill may get possession of the property. It is also

* This law is now abolished.—See 17 & 18 Vic. c. 90, passed in 1854.

necessary that he have the policy of assurance, that, in case the ship be lost, he may claim the value from the insurers. In advances upon dock warrants, the banker should know that the value of the goods is equal to his advances, and will also give him a margin, as a security against any fall in the market price. But, in truth, no banker should readily make advances upon such securities. Now and then he may take them as collateral security, for an advance to a customer who is otherwise respectable. But if a customer requires such advances frequently, not to say constantly, it shows that he is conducting his business in a way that will not ultimately be either for his own advantage, or that of his banker.*

A banker should never make any advances upon life policies. They may become void, should the party commit suicide, or die by the hand of justice, or in a duel; or if he go without permission to certain foreign countries. The payment may be disputed, upon the ground that some deception or concealment was practised, when the policy was obtained. And, in all cases, they are dependent upon the continued payment of the premiums. The value of a policy, too, is also often overrated. The insured fancies that his policy increases in value in exact proportion to the number of premiums he has paid; but if he offers it to the company, he will find that he gets much less than he expected. The policy is valued in a way that remunerates the office for the risk they have run during the years that are past; and the valuation has a reference only to the future. A short rule for ascertaining the expectation of life, according to the Northampton Tables, is to take the age from the number 86, and then divide by 2. Thus at fifty years of age the expectation of life is eighteen years. The value of a policy is generally about one-third of the amount of all the premiums that have been paid.

There are certain signs of approaching failure, which a banker must observe with reference to his customers. Thus—if he keeps a worse account than heretofore, and yet wants larger discounts—if the bills offered for dis-

* The recent examinations in the Criminal Court, with reference to the affairs of Messrs. Davidson and Gordon, are confirmatory of the above sentiment.—June, 1855.

count are drawn upon an inferior class of people—if, when his bills are unpaid, he does not take them up promptly—if he pays in money late in the day, just in time to prevent his bills or cheques being returned through the clearing. But, above all, if he is found cross-firing; that is, drawing bills upon parties who at the same time draw bills upon him. As soon as a banker detects a customer in fair credit engaged in this practice, he should quietly give him reason for removing his account.

The operation which is called "nursing an account," sometimes requires considerable prudence, tact, and perseverance. A banker, having made considerable advances to a customer, suddenly discovers that the party is not worthy of the confidence he has placed in him. If these advances should be called up, or discontinued, the customer will break, and the banker sustain loss. The banker must be governed by the circumstances of each case. It is sometimes best to continue to discount the good bills, and refuse those of a different character, and thus gradually weed the account of all the inferior securities. Sometimes he may get the customer to stipulate that he will diminish his advances by certain fixed amounts, at certain periods; and thus, by alternately refusing and complying, the banker may at length place himself in a state of security. At other times the banker may offer to make still further advances, on condition of receiving good security also for what has been already advanced. This plan is advisable when the additional advance is not proportionably large, and the security is not inconvertible, otherwise the plan is sometimes a hazardous one. It requires some courage to look a loss in the face. And it has occurred that a banker, rather than sustain a small loss, will consent to make a further large advance upon inconvertible security; and the locking up of this large advance for an indefinite period has proved the greater evil of the two. In fact, some of the largest losses of fallen banks have been made in this way. They have, in the first instance, made an imprudent advance; rather than sustain this loss at once, they have made a further advance, with a view to prevent it. The advance has at last become so large, that if the customer falls, the bank must fall too.

For the sake of self-existence, further advances are then made: these two are found ineffectual, and ultimately the customer and the bank fall together.

After a banker has furnished his till, and supplied his customers with such loans and discounts as they may require, he has a surplus of cash. A portion of this surplus he will probably invest in the Government funds.

The reader is of course aware that the "Stocks," or the "Funds," or by whatever other name they may be called, are debts due from the nation to those persons whose names are entered on the bank-books. The man who holds 100*l.* consols is a creditor to the nation for 100*l.*, for which he receives 3*l.* per annum; and the price of consols is the amount of the money for which he is willing to transfer this debt from himself to another person. Now, if this man knows another who is willing to give him, say, 90*l.* for this 100*l.* consols, they can go to the bank, and the seller being properly identified, will transfer this 100*l.* consols into the name of the person to whom he has sold it. His account is then closed in the bank-books, and a new account is opened in the name of the buyer; for every holder of stock has an account in the bank ledger, in the same way as bankers and merchants open ledger accounts for their customers.

But parties do not usually treat with each other in this way. A broker is employed either to buy or sell, as the case may be. The stock-brokers are an association consisting of about 600 persons, who meet together in a building in Capel-court, Bartholomew-lane, close to the Bank. Each broker before admission must find three securities for 300*l.* each, which sum is applied to meet any claims the other members of the "House" may have upon him during the first two years. The suretyship then ceases. The subscription paid by each member is ten guineas per annum. The House is governed by a committee of thirty persons chosen from the members.

But, although all the "members of the House" are called stock-brokers by the public, yet within the House they are divided into two classes, brokers and jobbers. A broker, as the name implies, is an agent who buys or sells for his customers out of the House, and he charges them

a commission upon the amount of the stock. A stock-jobber is a stock merchant; but he does not deal with the public: he deals only with the brokers; and he is at all times ready either to buy or to sell. The price at which he sells is one-eighth more than the price at which he buys.

Were there no jobbers, a broker would not easily find at all times another broker who had occasion to sell the same amount of stock which he wished to buy, and he would have a difficulty in buying or selling small amounts. But there is no difficulty with the jobbers. The jobbers will not only buy and sell stock on the same day, but they will buy stock on one day, and agree to sell it at a future day, or *vice versa*. These future days are called the settling days, being the days on which the members of the House settle their accounts. They are fixed by the committee of the Stock Exchange, and they now occur about once a month.

Generally, the price for time is higher than the price for money; and the difference between these two prices is called the "Continuation." Supposing that the next settling day is a month distant, and the continuation is one-eighth per cent., that amounts to twelve-eighths, or three per cent. per annum. The continuation will vary according to the near approach of the settling day—according to the abundance of money, and the market rate of interest—and according to the abundance or scarcity of stock. The last cause is not so readily understood by the public, and we will therefore explain it. The stock-jobbers, as we have said, are stock merchants. Of course they are large holders of stock; it is their capital on which they trade. But however large may be the sum they hold, they often agree to sell on the next settling day a much larger sum, expecting that in the mean time they shall buy a large sum, and thus be able to set off one against the other. But sometimes, as the settling day approaches, they find this is not the case, and they are consequently under an engagement to "deliver"—that is, sell—more stock than they hold. What can they do now? They will try to get stock from those who have it, by agreeing to buy it of them *now*, and selling it at the ensuing account day a month hence, at the same price. Thus the

jobbers get their stock, and complete their engagements. But sometimes the jobbers are obliged to go farther, and even to offer a premium to parties who will lend their consols. This premium is called "Backadation," or "backwardation;" it is just the reverse of "continuation," and implies that the time price of stock is less than the money price. Bankers avail themselves occasionally of both these operations.

SECTION IV.

THE ADMINISTRATION OF THE OFFICE.

THE proper situation of a bank is a matter of some importance. It should be situated in what is deemed the most respectable part of the town. If it be placed in an inferior locality, approachable only by narrow and disagreeable streets, and surrounded by buildings, the seats of smoky and dirty trades, it is not likely to be so much frequented, nor to acquire so large a business, as though it were more pleasantly situated. Another point to be observed is, that the bank itself should be a handsome building. The necessary expenditure for this purpose is no sin against economy. It is an outlay of capital, to be repaid by the profits of the business that will thus be acquired. A portion of the building will probably be set apart for the private residence of the manager, or of some other officer of the establishment. It is desirable that this portion should be entirely separated from the office. The communication should be only by a single door, of which the manager should keep the key. The building should be so constructed that what is going on in the private house, whether in the kitchen, or the nursery, or the drawing-room, should not be heard in the bank. The office being thus isolated, must then be fitted up in the way that will most effectually promote the end in view. And here are three points to be considered,—*space*, *light*, and *ventilation*.

A chief consideration is *space*. A banker should take care that his clerks have room enough to do their work

comfortably. Every accountant knows that he can often work faster if he can have two or more books open at the same time; but if his space is so confined that he must shut up one book, and put it away, before he can use another, he will get on more slowly. The cashiers, too, will be much impeded, if they are obliged to stand too close to each other: and the public will be huddled together, and will often count incorrectly the money given to them, and thus take up the cashiers' time to put them right. Want of space will necessarily occasion errors, from the confusion it produces, and from one clerk being liable to interruption from the noise or vicinity of the others. A banker should therefore take care that his office is large enough for his business, and that it will admit of being enlarged in case his business should increase. Ample space is also conducive to the health of the clerks, as there will be more air to breathe, and the atmosphere is less likely to become polluted by the burning of lamps and candles.

Another consideration is *light*. It is well known in every London bank, that fewer mistakes are made by the clerks in summer than in winter. Abundance of light prevents mistakes, and saves all the time that would be employed in the discovery of errors. Light is also of great importance to the cashiers, in detecting forged signatures and bad or counterfeit money. Thieves are also less likely to attempt their robberies in a light office than in a dark one. Faint or illegible handwriting can be more easily read, and hence mistakes are less likely to occur. The clerks, too, perform their duties with more quickness and cheerfulness. The gloominess of an office throws a gloom over the mind; but, "light is sweet, and a pleasant thing it is for the eyes to behold the sun."

The lightest part of the office should be devoted to the clerks. We have observed sometimes a violation of this principle. The entrance door has been placed in the middle of the front, with a window on each side, and the counter thrown across the room, so that the lightest part of the office has been given to the public. It is better that the entrance be placed at the right or the left corner, and the counter be made to run from the window to the

opposite wall. The light will thus fall lengthways on the counter, and the space behind the counter will be occupied by the clerks.

Volumes have been written by medical men upon the advantages of fresh air, and on the unwholesome atmosphere of crowded cities. If the air that circulates in the streets of towns and cities is impure, what must be the state of those offices or rooms where twenty or thirty persons are breathing close together during the whole of the day, and gas lights are burning during the evening! In such cases we are told that a person afflicted with consumption of the lungs may communicate the complaint to others, as they must inhale a portion of the atmosphere which he has breathed out. The air in a close office is not only rendered impure by the number of people that breathe it, and by the burning of gas, but it also contains very frequently particles of dust arising from the floor, through the number of people constantly walking in and out. It is almost impossible for persons so circumstanced to enjoy for a length of time even moderate health. A portion of this evil may be mitigated by a good system of ventilation. To obtain this should be regarded as an object of the first importance. If a banker does not insist upon the architect performing this in the most effectual manner, he must be content to be often put to inconvenience through the illness and consequent absence of his clerks.*

The distribution of the duties of the various clerks is a matter of no small importance. Experience is the only efficient guide in making such arrangements. We may, nevertheless, lay down a few general principles. The great division of the business of a bank office is into the cashiers' department and the accountants' department. In London banks there is a third—the tellers', or outdoor department. In the distribution of duties, it is desirable that the accountants' department should be a check upon the other departments. The cashiers must not have the control of the books, nor the accountants the

* For an account of the means whereby "Light, Heat, and Ventilation" may be secured, see Mr. Granville Sharp's "Prize Essay on the Application of recent Inventions collected at the Great Exhibition of 1851, to the purposes of Practical Banking." (Groombridge.)

care of the cash. The accountants' books should show what amount of cash is in the hands of the cashiers; and it is the business of the cashiers to show that they have that amount of cash which corresponds with the accountants' books. If the same officer has the care of the cash and the command of the books, he may abstract a portion of the cash, and alter the books to make them correspond. It is further desirable, in large establishments, that two books which act as a check upon one another should not be kept by the same clerk.* While it is not proper to indulge a spirit of suspicion in regard to individuals, it is advisable that the duties of a bank office should be so distributed that the intromissions of any one clerk, either by the abstraction of cash or the falsification of the books, should be liable to immediate detection by the entries in some book kept by another clerk. For the same reason, it is proper that any document issued to the public (such as deposit receipts, drafts on London, &c.) should be signed by two officers, of whom one should belong to the cash, and the other to the accountants' department. There ought to be a complete division of labour in a bank. Every clerk should have fixed duties to perform, and every duty, however unimportant, should be assigned to some particular clerk. If anything is neglected, there should be no doubt as to who is to blame. No one should be able to say, "It was not my business; it was yours." Nor ought any duties to be assigned in common to two or three clerks, to be performed by them as each may find time. In this case, each will do as little as he can, and nothing will be done well. If any dispute arises among the clerks as to the due division of their labours, a reference should be made to the chief clerk, who will give to each man his work, and hold him responsible for its proper performance.

In all banks the junior clerks have lower salaries than the senior clerks. In Scotland, a clerk usually serves an apprenticeship of three years, during which he receives but a small salary. This plan has been introduced into some of our country banks. In London it does not exist. In the private banks, a junior clerk usually commences

* See the Section on Banking Book-keeping in the Practical Treatise.

with 60% a-year, and a portion of the Christmas money. In the joint-stock banks, where no Christmas money is allowed, the commencing salary is usually 80%. But the rules of advance are various, and, indeed, must be so, depending as they do upon the prosperity of the banks, and other contingent circumstances. One bank may assign a certain fixed annual increase to each clerk, whether he advance in rank or not. In this case, his salary will be regulated entirely by the number of his years of service. Another bank may have a fixed salary for each post, and a clerk has no increase of salary except when he takes a step in rank. Another bank may adopt a scale of salaries combining the principles of the other two. For instance, every post in the bank may have a fixed *minimum* salary. But each clerk holding a post for a certain period (say for five years) has an annual advance for that period. Then he stops, and receives no further advance until he is promoted to the next post, where again he becomes entitled to the annual advances belonging to that post. We give no opinion as to the respective merit of these plans. But there is one principle we would enforce—that the salaries of the clerks should be regulated by the prosperity of the bank. If the bank is prosperous, the clerks ought to share in its prosperity; and if the bank is unfortunate, the clerks must consent to share in its ill fortune. But, under any circumstances, a scale of salaries is desirable. It prevents caprice on the part of the bank, and jealousy on the part of the clerks. The amount of salary in each case should be fixed by rule, and not by favour.

"Masters, give unto your servants that which is just and equal; knowing that ye also have a Master in heaven."*

"Be just in your appointments, and select those who are the most worthy and the best qualified for the duties they will have to discharge. Be just in the amount of your remuneration; recollect that many of the servants of public companies have greater trusts and heavier responsibilities than the servants of individuals; and in this case, it is just and equal that they be rewarded accordingly. Be just in your promotions, and let not merit be supplanted by patronage or favouritism. Be just in the quantity of labour

* Col. iv. 1.

you exact. Appoint a sufficient number of servants to do the work easily. Do not compel them to keep late hours; nor refuse reasonable holidays, for the purposes of health and recreation. *Be just in your reproofs.* Let not your censures or your punishments be more than proportionate to the offence; and be as ready at all times to acknowledge the merits of your servants as to notice their defects. *Be just in your pensions,* and let your aged and worn-out servants be treated with respect and liberality. Recollect they were once young and healthy, and you had then the benefit of their services—do not treat them harshly now.

“The law of Moses—‘Thou shalt not muzzle the ox when he treadeth out the corn’—is enjoined as strongly by self-interest as by humanity. For if we muzzle the ox we reduce his strength, and we lose more by the diminished produce of his labour than we gain by the provender that we save. St. Paul has twice quoted this enactment, to inculcate the lesson that we ought not to stint the remuneration, nor even the enjoyments, of those by whose labour we profit. In both cases he refers to services of an intellectual or spiritual kind. Perhaps in such services the effect of a liberal remuneration in producing more efficient exertions, is most obvious. It is a law of our nature, that the kindness, liberality, and generosity that we receive from others, will produce corresponding feelings in ourselves. And it is another law of our nature, that when the mind is under the influence of such feelings, it is capable of intellectual efforts of a higher order. The Psalmist has given us a lovely exhibition of the Divine character, in the words—‘He hath pleasure in the prosperity of his servant.’”*

In all banks the clerks give sureties for their integrity—usually two, of 500*l.* each; and in some banks these amounts are increased on accession to higher offices. Of late years societies have been formed, both in England and Scotland, for the purpose of giving, on the part of clerks and others, the amount of security required.

In the year 1841 the Bank of England took measures for discontinuing the system of requiring sureties from the clerks. Every clerk subscribed annually two shillings

* The Moral and Religious Duties of Public Companies. This work is now included in the Practical Treatise on Banking.

per cent. upon the amount of his surety-bond. When he had subscribed in the course of five years (or immediately if he chose), ten shillings per cent., the liability of his sureties ceased. Every new clerk subscribes, when admitted, ten shillings per cent. on the amount of the bond he would otherwise give. These contributions are invested in the Three per Cent. Reduced, or Consols. This fund is fixed at 6,000*l.* stock. When at this amount, the interest is given to the “Clerks’ Widows Fund,” a fund established by the clerks, with the assistance and support of the bank. When the claims have reduced the guarantee fund below 6,000*l.* the interest goes to this fund until it has increased to this amount. If the claims reduce the fund so low as 4,700*l.*, then the clerks are required to make a further contribution until the fund is again raised to 6,000*l.* But this contribution is never more than two shillings per cent. per annum on the amount of their respective bonds. Nor can any claim be brought against the fund greater than the amount of the bond that would have been required from the defaulter. The clerks still give their personal bonds, which are for the full amount of their deficiencies. This is an admirable plan for a large establishment. In adopting it the directors have shown a sound discretion, as it makes all the clerks interested in watching over one another. At the same time they have manifested that kindness and goodwill which have, we believe, at all times distinguished the Directors of the Bank of England in their conduct towards their clerks.

Mr. Thomson Hankey, when Governor, delivered to the Banking Institute the following account of the working of this system :—

With regard to the guarantee system, it appeared to him that the principle adopted in the Bank of England in 1841, by his predecessor, was capable of extension, with great benefit to the clerks, to many of the other banking institutions of the country. The principle of that plan was, that a compulsory payment of 1*l.* a-year for five years, or 5*l.* in one sum, was required from each clerk; on entering the establishment. These payments accumulated until they amounted to a sum of 6,000*l.*, the interest of which was then to be applied to another purpose, for the benefit of the clerk; but in the meanwhile the fund was applicable to all losses at the bank, which, under ordinary circumstances, would fall upon

the private sureties. Every clerk, on entering the establishment, was bound to give security to the amount of 1,000*l*. Well, he believed the lowest premium the guarantee societies would take was 10*s*. per cent., or 5*l*. for the 1,000*l*., and this 5*l*. premium had to be renewed every year. Now, the amount of this 5*l*. premium from each of the 700* clerks of the Bank of England would be 3,500*l*. a-year. Well, since the guarantee fund to which he had alluded, had been established in 1841, the total defalcations in the Bank of England had only amounted to about 1,500*l*. Now, if the 700 clerks had paid the 5*l*. a-year each to the guarantee societies for the whole of that period, it would have raised nearly as much as 40,000*l*., the whole of which would have gone into the pockets of the guarantee societies, with the exception of the 1,500*l*. which would have been necessary to make good the defalcations. Now, if 40,000*l*. had been paid in premiums, and 1,500*l*. had been the loss, it would require very little argument from him to show that the guarantee societies would have been very great gainers, at the expense of the clerks.†

It is desirable, on several accounts, that all the officers of a bank, and especially those who are intrusted with cash or other property, should once a-year have leave of absence for at least a week or a fortnight. This should not even be optional—it ought to be a fixed rule with which they should be expected to comply. The absences should be arranged to take place at those seasons of the year when they will be of the least inconvenience to the business of the bank. These holidays ought to be readily granted on the ground of kindness and humanity; but where these feelings do not exist, motives of self-interest alone would prompt a ready acquiescence in such applications. In the first place, a great inconvenience is often experienced in large establishments from the illness of the clerks when they are denied proper seasons of relaxation. In this case, the loss of time from ill-health is greater than that which would be occasioned by holidays. A sick clerk, even when he attends to his duties, is neither so quick, nor so correct, nor can he get through so much work, as a clerk who, by proper recreation, has been kept in perfect health. These occasional holidays tend very much to im-

* The total number of clerks in all the Private and Joint-Stock Banks in London is about 1,500.

† See the Report of the Proceedings of the Banking Institute, March 2, 1852, when an interesting paper on guarantees was read by Mr. Newmarsh. Mr. Hankey in the chair.

prove the efficiency of an office. When a clerk is absent, the next in seniority takes his place; and when all the clerks have been absent in turn, every duty in the bank becomes perfectly familiar to at least two persons, so that in the case of those absences which arise from unavoidable causes, little inconvenience comparatively is felt. But while the bank is thus rendered independent of any one individual, it must not be supposed that the absence of a clerk lessens the importance attached to his services. When a clerk is really efficient, an occasional absence renders his value more apparent, and increases the estimate formed of his character; while the indulgence he has received will stimulate his energies, and increase his desire to render himself more than ever useful to his principals.

Another advantage to a banking establishment from the absence of their clerks is, that it furnishes an additional guarantee for their honesty. We have known instances of frauds being carried on for several years by clerks who were constant in their attendance, while a single day's absence would necessarily have led to a detection of their dishonesty. When a clerk takes his holidays, all the property under his care is given over into other hands; and the knowledge that he will be called upon to do this periodically, may deter him in the first instance from commencing a career which must thus be necessarily exposed.

Whatever natural talents a young man may have when he enters a bank, he cannot be expected to perform his duties well until he has been instructed. There is a good way and a bad way, a quick way and a slow way, of performing even the most simple operation. Incorrect or slovenly habits, when once acquired, are not easily abandoned. When, therefore, a young man enters a bank, he should be placed under the tuition of another clerk, well qualified to instruct him with regard to all his immediate duties. It is also desirable that the chief clerk should not have much manual labour, but should have leisure to walk round the office—stand for a while at the elbow of each clerk—observe his peculiar defects—and give such instructions as he may deem necessary or useful. The senior

clerks, generally, should also be ready at all times cheerfully and courteously to give instruction to their juniors.

With a view to the proper training of clerks, it is desirable that there should not be too many in proportion to the work. If the clerks are unemployed for any considerable portion of the day, their habits of attention, of industry, and of quickness are impaired, so that they do less work even in those hours in which they are occupied. The duties of each clerk should be sufficiently heavy to require a continuous application of the mind during the whole of the working hours. If a banker find that the clerks have time to read books or newspapers, or to carry on either gambols or quarrels among themselves, during the hours of business, he may safely infer that he has too many hands. By reducing the number he will make each clerk more efficient, and the work will be better done. He will also be able to increase their salaries individually. It is better that the same amount of money should be distributed among a smaller number of effective men than among a larger number who are less effective. The amount of Christmas money received by each will also be greater.

For the purpose of training the clerks, it is desirable that their labours should be so subdivided as that the duties of one office should be a training for the office immediately above it. The clerk, on his entrance into the bank, will thus have to perform those operations that require the least degree of professional knowledge—of knowledge peculiar to the business of a bank—and will advance step by step, (each step requiring but a small addition to his previous knowledge,) to the higher posts. When it is ascertained for which department—the cashiers' or the accountants'—the teller is best adapted, he should be put into that post the operations of which will form the best training for those duties which, when promoted, he will have to discharge.

The occasional absences of the clerks are conducive to their improvement. The juniors thus learn to perform the duties of their superiors. New arrangements are formed temporarily for a different division of labour, and, the hands being fewer, an additional stimulus is given to exertion. It is also useful, when it can be done, for the

clerks to change occasionally, and do each other's work. Every clerk should be encouraged to suggest any improvements for abridging or facilitating his own labour. When a bank has several branches, it is often advisable that an occasional absence at one branch should be supplied by a clerk brought from another branch. A good inspector of branches will inspect the cashiers' and the accountants' department, as well as the manager's; and when he finds any improvement at one branch, he will introduce it into all the other branches.

But the greatest stimulus to improvement in the clerks is an impartial system of promotion. It is, perhaps, desirable that instances should occur sometimes, of a clerk, who is entitled to a higher post from seniority, being unfit to take it, in order to show that superior merit is regarded. But it should always be obvious that the clerk who is promoted has superior merit. If a clerk is put over the head of another from favouritism, or caprice, on the part of the banker—or from the influence of friends, customers, or shareholders—or even for qualities good in themselves, but not increasing his efficiency as a clerk—then will great evils arise from his appointment, even though he should be as well qualified as the man who was entitled to the post from seniority.

Among the means of training clerks for superior offices, we should give a high rank to the formation of a library* of banking books, to which the whole of the establishment should at all times have access. The time is gone by when it was a reproach for a young man to be bookish, as he was supposed to abstract so much more time and attention from his official duties. It is now well known that the general cultivation of the intellectual powers, renders them more effective in every operation in which they may be exercised. It is a great advantage to a bank to have educated servants. Their superior knowledge is always useful—the mental discipline they have acquired improves their business habits—and, possessing within themselves a

* In 1850 a Library Association was formed by the clerks of the Bank of England. The Directors assigned three rooms within the Bank for a library, a reading-room, and a lecture-room, and gave 500*l.* towards the funds. Several of the Directors individually presented also handsome donations of both money and books.

constant source of enjoyment, they are the less likely to indulge in those expensive pleasures which are the usual temptation to neglect and dishonesty. It seems likely that very soon a movement will be made in favour of universal education. I think it desirable that bank managers, and branch managers, should aid this movement in their respective localities, and should support generally, by their assistance and influence, the formation of literary and scientific institutions. This would afford an outlet for any surplus energy of character that might remain after the hours of business, and enable them to promote the public good, without taking part in political or religious discussions. They would acquire for themselves much pleasurable and profitable amusement, would add to the usefulness and respectability of their character in public estimation, and thus be enabled to increase the influence of their respective establishments.

* We have here spoken of that kind of training which is adapted to the making of clever clerks. But as in the joint-stock banks a clerk may become a manager, it is desirable that those clerks who are deemed the most clever should be put under a course of training that will, with experience, qualify them for that office. It is, in some respects, more difficult to do this in a large establishment than in a small one. In a bank that has forty clerks, one clerk sees only a fortieth part of its operations. In a bank where there are only ten clerks, one clerk sees a tenth part, and may easily acquire a tolerable knowledge of the whole. A bank that has many branches has a great facility for training clerks to become managers. When a branch manager is absent from illness, or any other cause, one of the senior clerks of that or some other branch will take his place, and thus gradually become accustomed to the duties of the office.

The clerks thus selected for this kind of training should be young men who are quick and efficient in the discharge of all their official duties, and, moreover, possess a good temper, gentlemanly appearance and manners, a degree of literary information, with a desire of improving their knowledge and their talents. They should not be young men who have entered the bank until they can get some-

▶ thing better, but those who look to banking as their profession, and are ambitious of attaining to the highest posts in the establishment. But beyond the qualities we have enumerated, it is necessary, above all things, that they should have habits of business.

▶ After a clerk has become a manager, his education has yet to be completed. Lord Bacon observes, that reading makes a wise man; writing, an exact man; and conversation, a ready man. Whatever knowledge he may have acquired by reading or otherwise—however exact he may have been in the discipline of the office—the young manager has yet to become a ready man. He has to apply his knowledge promptly and independently, and, at the same time, wisely. This habit he will acquire by time. ▶ The exercise of authority over other men, produces an independence of mind which is friendly to the maturing of the understanding; while the necessity for giving immediate decisions in conversation with his customers, will have a tendency to produce promptness of judgment. There is ▶ no profession in which experience is more useful than in banking. But it is useful, not so much in the amount of knowledge that is acquired, (though that is important,) as in the improvement it imparts to those intellectual faculties which are called into exercise. It is by constant ▶ practice that these faculties gather strength. Habits are formed by repeated acts, and they can be formed in no other way.

It is too much the practice in England to view a bank manager as holding the same relative position in a joint-stock bank which a chief clerk does in a private bank. ▶ This is an error. A manager is not a banker's clerk—he is a banker. And although he may reserve some important cases for the consideration of his directors, yet they are usually such cases as a private banker would reserve ▶ for consultation with his partners, or on which, had he no partner, he would take time to form his own determination.

SECTION V.

THE BANK OF ENGLAND.

THE Act of Parliament by which the bank was established, is entitled, "An Act for granting to their Majesties several duties upon tonnage of ships and vessels, and upon beer, ale, and other liquors, for securing certain recompenses and advantages in the said Act mentioned, to such persons as shall voluntarily advance the sum of 1,500,000*l.* towards carrying on the war with France." After a variety of enactments relative to "the duty upon tonnage of ships and vessels, and upon beer, ale, and other liquors," the Act authorizes the raising of 1,200,000*l.* by voluntary subscription, the subscribers to be formed into a corporation, and be styled, "The Governor and Company of the Bank of England." The sum of 300,000*l.* was also to be raised by subscription, and the contributors to receive instead, annuities for one, two, or three lives. Towards the 1,200,000*l.*, no one person was to subscribe more than 10,000*l.* before the first day of July next ensuing, nor at any time more than 20,000*l.* The corporation were to lend their whole capital to Government, for which they were to receive interest at the rate of 8*l.* per cent. per annum, and 4,000*l.* per annum for management; being 100,000*l.* per annum in the whole. They were not allowed to borrow or owe more than the amount of their capital; and if they did so, the individual members became liable to the creditors, in proportion to the amount of their stock. They were not to trade in any "goods, wares, or merchandise whatsoever;" but they were allowed to deal in bills of exchange, gold or silver bullion, and to sell any goods, wares, or merchandise, upon which they had advanced money, and which had not been redeemed within three months after the time agreed upon. The whole subscription having been filled in ten days, a charter was issued on the 27th day of July, 1694. This charter has been repeatedly renewed.

The charter granted in 1708 prohibited any other bank having more than six partners, issuing notes in any part of England.

The charter of 1833 continued the privileges of the bank until the expiration of one year's notice, to be given within six months after the expiration of ten years from August 1, 1834. But if such notice should not be given, then the charter was to be continued until the expiration of twelve months' notice, to be given after the first day of August, 1855.

According to this charter, no other bank having more than six partners, can issue notes payable on demand in London, or within sixty-five miles thereof. Bank-notes are to be a legal tender, except at the bank or branch banks. The amounts of the notes in circulation, and of the deposits, and of the bullion and securities in the bank, are to be sent weekly to the Chancellor of the Exchequer for the time being. These accounts are to be consolidated every month, and an average state of the bank accounts for the preceding three months to be published in the *London Gazette*. Any joint-stock bank that does not issue notes may carry on business in London.

In the year 1844 the bank charter was again renewed until the expiration of twelve months' notice, to be given after the 1st day of August, 1855.

"The Act of 1844" is the 7 & 8 Vict. cap. 32, and is entitled, "An Act to regulate the Issue of Bank Notes, and for giving to the Governor and Company of the Bank of England certain privileges for a limited period." It enacts that from and after the 31st August, 1844, the Issue department of the Bank of England shall be separated from the Banking department—that the issuing department may issue notes to the extent of 14,000,000*l.* upon securities set apart for that purpose, of which the debt of 11,015,100*l.* due from the Government to the bank shall form a part—that no amount of notes above 14,000,000*l.* shall be issued, except against gold coin, or gold or silver bullion; and that the silver bullion shall not exceed one-fourth the amount of gold coin and bullion. Any person is entitled to demand notes from the issuing department, in exchange for gold bullion, at the rate of 3*l.* 17*s.* 9*d.* per ounce. Should any banker discontinue his issue of notes, the Bank of England may, upon application, be empowered by an Order of Council to increase her

issue upon securities to the extent of two-thirds of the issue thus withdrawn; but all the profit of this increased issue must go to the Government.

The Bank of England is governed by a court of directors, consisting of twenty-four members. These are selected from the mercantile classes of London, virtually, by the other directors, who form what is called a House List. They recommend certain persons to be chosen as directors, and the proprietors always follow this recommendation. The court hold their meetings every Thursday, and they then receive a report of the transactions of the preceding week.

The executive administration, in the meantime, is in the hands of the governor and deputy-governor, who may be advised or assisted by the committee of treasury. This committee is composed of those directors who have held the office of governor, of the existing governor and deputy-governor, and of the director who is intended to be the next deputy-governor. A director is at first an ordinary director, and attends the weekly meetings of the court. In turn he becomes, for one year, a member of the committee of treasury; then deputy-governor for two years; then governor for two years; and afterwards a permanent member of the committee of treasury. This committee meet once a-week, and at such other times as they may be called together specially by the governor. Sometimes they discuss the measures that are to be submitted to the next meeting of the court; but the court do not now so readily as formerly adopt their recommendations. The governor and deputy-governor, for the time being, make all loans and advances, and sometimes raise the rate of discount, without waiting for the opinion of the court. They conduct all negotiations with the Government, and, subject to the sanction of the court, have the whole administration of the affairs of the bank. Each director must hold 2,000*l.* bank stock; the deputy-governor, 3,000*l.*; and the governor, 4,000*l.* It was the rule that every director should take his turn for becoming governor, but recently it has been determined to place in that office the director whom the other directors shall, by ballot, think best qualified. Several suggestions were made before the

parliamentary committees, for improving the composition of the court of directors. It was proposed that all the directors should not be taken from the commercial classes, but that some should be selected from the banking and manufacturing interests. It was also asked whether a permanent governor, either for life or for a number of years, would not be preferable to the present system.

The Bank of England is a bank of issue. She can issue to the extent of 14,000,000*l.* against that amount of securities set apart for that purpose. She can issue to any farther amount against lodgments of gold and silver, as regulated by the above Act. This amount of 14,000,000*l.* may be issued either at the office in London or at the branches. Were she to reduce the number of her branches she would not be required to issue less than this 14,000,000*l.*; and were she to increase her branches, she could issue no more. If other banks discontinue their circulation, she may upon application receive permission to extend her issues to two-thirds the sum thus withdrawn; but all the profit of this increase must go to the Government. She cannot issue any note for a less amount than five pounds. All the notes are payable in gold on demand. The payment of those issued in London can be demanded only at the London office. But the payment of those issued at the branches may be demanded either at the London office or at the branches where they were respectively issued. Bank of England notes are a legal tender in all cases, except when tendered by the bank herself.

The bank of England is also a bank of deposit, of loan, and of discount.* She allows no interest on any portion of her deposits, nor permits any account to be overdrawn. She charges various rates on the bills she discounts, but does not go below the rate she announces to be her minimum. She does not act as the London agent of country banks; but is the agent of the bank of Ireland, and the Royal Bank of Scotland. She does not accept any bills that may be drawn by those banks, or by her own branches—they are all drawn "without acceptance."

* The "Practical Treatise" has a section on "the Administration of the Banking Department of the Bank of England."

She does not issue any circular notes on foreign countries, nor grant letters of credit on foreign banks. She remits money to and from her branches, and from one branch to another. She issues at the London office bank-post bills, drawn at seven days' sight.

The Bank of England is also the banker of the Government. She has always a large amount of public deposits, on which she allows no interest. She receives the public revenue, and pays the dividends on the National Debt.

The profits of the bank are derived from her capital, her rest, public and private deposits, the seven-day bills, her agencies, and her circulation. From these funds she makes investments in public securities and private securities. These bring dividends and interest. She also has a profit on the 14,000,000*l.* of notes in circulation. This profit is the difference between the expense of maintaining the circulation, and the interest received on the securities set apart to meet this circulation. The bank has an annual payment from the Government for managing the National Debt. She also receives a commission from those banks to which she is the London agent. A profit is also obtained on bullion transactions. The bank buys gold at 3*l.* 17*s.* 9*d.* an ounce, and sells it at 3*l.* 17*s.* 10½*d.* an ounce. Against these profits the bank has to place the expense of conducting the establishment, and the losses incurred by bad debts, forgeries, and unfortunate investments.

The Bank of England consented to establish branches in the year 1826, at the suggestion of Lord Liverpool, in order to extend to the provinces the advantage of a *secure* circulation. This was considered the grand desideratum at that time, in consequence of the numerous failures that had recently taken place among the country bankers. This object was effected, and effected with greater facility, in consequence of the establishment of joint-stock banks, who made arrangements for issuing Bank of England notes.

These branches were not merely banks of circulation. They were banks of deposit, of discount, and of remittance. In these respects they came into competition with the country bankers. This, in some cases, reduced the charges previously made on banking transactions. As banks of discount, they charged the same rate which was charged

at the London office—a charge usually below that of the country banks. As banks of remittance, they granted letters of credit at a shorter term. As banks of deposit, they charged no commission. But, on the other hand, they allowed no interest on the balance, and they allowed no account to be overdrawn; and they would not receive from their depositors any country notes unless the banks had previously opened an account with them, and made a lodgment to meet their notes.

While, therefore, the branches have obtained a large circulation, and have transacted a good business as banks of discount and of remittance, they have not made much progress as banks of deposit. The deposits at all the branches amount to only 1,200,000*l.* When it is considered that the branches are established in large towns, and that many of them have existed for above twenty years, this amount is far from considerable.

The Bank of England has branches at Manchester, Swansea, Birmingham, Liverpool, Bristol, Newcastle-on-Tyne, Hull, Plymouth, Portsmouth, Leicester, and Leeds. The branches at Exeter, Gloucester, and Norwich, have been discontinued. A branch is about to be opened at the west-end of London.

SECTION VI.

THE LONDON PRIVATE BANKERS.

By the last Bank Charter Act (7 & 8 Vict. c. 32. s. 21), passed in the session of 1844, it was enacted "that every banker in England and Wales, who is now carrying on, or shall hereafter carry on business as such, shall, on the first day of January in each year, or within fifteen days thereafter, make a return to the Commissioners of Stamps and Taxes at their head office in London, of his name, residence, and occupation; or in the case of a company or partnership, of the name, residence, and occupation of every person composing or being a member of such company or partnership, and also the name of the firm under which such banking company or partnership carry on

the business of banking, and of every place where such business is carried on; and if any such banker, company, or partnership, shall omit or refuse to make such return within fifteen days after the said first day of January, or shall wilfully make other than a true return of the persons as herein required, every banker, company, or partnership so offending, shall forfeit and pay the sum of 50*l*.; and the said Commissioners of Stamps and Taxes shall, on or before the first day of March in every year, publish in some newspaper circulating within each town or country, respectively, a copy of the return so made by every banker, company, or partnership carrying on the business of bankers within such town, or respectively, as the case may be."

This was the first time that any of the banking companies in London were required to make returns to Government of the number or names of their partners. All banks that issued notes were required, when they applied for a licence, to name their partners; but as none of the London bankers issued notes, they required no licence, and made no return. Nor did the joint-stock banks established in London, make any returns to the Government, of their partners. For as they did not possess, until the year 1844, the power of suing and being sued in the name of their public officers, they did not register, at any Government office, the names of their partners, though, in some cases, these names were appended to the Annual Reports of the directors. This Act (7 & 8 Vict. c. 32) came into operation in January 1845, and we have now, therefore, the means of obtaining the names of all the partners in all the banking establishments throughout England and Wales.*

The Act not only requires that the bankers shall make these returns between the first and fifteenth of January in each year, it requires also, that the Commissioners of Stamps and Taxes shall publish them before the first of March following, in some newspaper that circulates within the town or county in which the bankers making the return carry on their business. The returns from the

* These are inserted every year in the Banking Almanack, so far as regards the private banks.

London banks are published in supplements to the *London Gazette*, which we presume is considered to be a newspaper within the meaning of the Act.

The particulars required to be returned by the Act, and stated in the *Gazette*, are, the name of the firm or company; the name, residence, and occupation of the persons of whom the company or partnership consists; and the name of the place or places where the business is carried on.

The London banking establishments, according to the return in January, 1855, consist of fifty-nine partnerships, each not having more than six partners; and of six public companies which are usually styled joint-stock banks. The former may be divided into three classes:—

I. Those who are members of the Clearing-house.

II. Those located east of Temple-bar, but are not members of the Clearing-house.

III. Those located west of Temple-bar.

A List of Bankers who are Members of the Clearing-house.

<i>Name of the Firm.</i>	<i>No. of Partners.</i>	<i>Residences.</i>
1. Barclay, Bevan, Tritton & Co.	4	56, Lombard-street.
2. Barnett, Hoare, Barnett & Co.	5	62, Lombard-street.
3. Bosanquet, Franks & Co.	4	73, Lombard-street.
4. Brown, Janson & Co.	5	32, Abchurch-lane.
5. Curries & Co.	6	29, Cornhill.
6. Dimsdale, Drewitt, Fowler & Barnard	4	50, Cornhill.
7. Fullers & Co.	2	66, Moorgate-street.
8. Glyn, Mills & Co.	6	67, Lombard-street.
9. Hanburys and Lloyds	5	60, Lombard-street.
10. Hankey & Co.	4	7, Fenchurch-street.
11. Heywood, Kennards & Co.	3	4, Lombard-street.
12. Jones, Loyd & Co.	4	43, Lothbury.
13. Lubbock, Forster & Co.	2	11, Mansion-House-street.
14. Martin & Co.	3	68, Lombard-street.
15. Masterman, Peters, Mildred, Masterman & Co.	6	6, Nicholas-lane, Lombard-st.
16. Prescott, Grote, Cave & Co.	5	62, Threadneedle-street.
17. Price, Marryat & Co.	2	3, King William-street.
18. Robarts, Curtis & Co.	4	15, Lombard-street.
19. Rogers, Olding & Co.	4	29, Clements-la. Lombard-st.
20. Sapte, Muspratt, Banbury, Nix & Co.	4	77, Lombard-street.
21. Smith, Payne & Smiths	6	1, Lombard-street.
22. Spooner, Attwoods & Co.	3	27, Gracechurch-street.
23. Stevenson, Salt & Sons	3	20, Lombard-street.
24. Williams, Deacon & Co.	5	20, Birchin-lane.
25. Willis, Percival & Co.	4	76, Lombard-street.

Total 103

A List of Bankers, East of Temple-Bar, who are not Members of the Clearing-house.

Name of the Firm.	No. of Partners.	Residences.
1. W. & J. Biggerstaff	2	8, West Smithfield.
2. John Brown & Co.	1	25, Abchurch-lane.
3. Challis & Son.	2	37, West Smithfield.
4. Child & Co.	6	1, Fleet-street.
5. Roger Cunliffe, Son & Co.	3	24, Bucklersbury.
6. Cunliffes & Co.	4	24, Lombard-street.
7. Robert Davies & Co.	2	187, Shoreditch.
8. Dixon, Brooks & Dixon	3	25, Chancery-lane.
9. John Feltham & Co.	2	42, Lombard-street.
10. Goslings & Sharpe	5	19, Fleet-street.
11. C. Hill & Sons	2	17, West Smithfield.
12. Messrs. Hoare	2	37, Fleet-street.
13. Hugh and John Johnston & Co.	3	15, Bush-lane.
14. Lacy & Son	2	60, West Smithfield.
15. Praeds & Co.	4	189, Fleet-street.
16. Puget, Bainbridges & Co.	4	12, St. Paul's Churchyard.
17. John Shank	1	76, West Smithfield.
18. Adam Spielmann & Co.	1	10, Lombard-street.
19. J. & W. S. Stride	2	41, West Smithfield.
20. Tisdall & Ward	2	15, West Smithfield.
21. Chas. Twigg & Co.	1	29, Great St. Helen's.
Total	54	

A List of Bankers West of Temple-Bar.

Name of the Firm.	No. of Partners.	Residences.
1. Bouverie & Co.	4	11, Haymarket.
2. Call, Marten & Co.	2	25, Old Bond-street.
3. Cocks, Biddulph & Co.	5	43, Charing Cross.
4. Coutts & Co.	5	58 & 59, Strand.
5. Messrs. Drummond	6	49, Charing Cross.
6. Hallett, Robinson & Co.	4	14, Gt. George-st. Westminster.
7. Herries, Farquhar & Co.	6	16, St. James's-street.
8. Chas. Hopkinson & Co.	2	3, Regent-street.
9. Ransom & Co.	3	1, Pall Mall East.
10. Sir Samuel Scott, Bart. & Co.	2	1, Cavendish-square.
11. Strahan & Co.*	3	217, Strand.
12. Richd. Twining & Co.	4	215 & 216, Strand.
13. White, Ludlow & Co.	3	6, Haymarket.
Total	49	

	Firms.	Partners.
Banks Members of the Clearing-house	25	103
Ditto East of Temple-bar, not Members of the Clearing-house	21	54
Ditto West of Temple-bar	13	49
Total	59	206

* This bank stopped payment June 11th, 1855.

The names of the following Firms do not correspond with the names of the Partners:—

1. In the firm of Messrs. Fullers and Co., there is no Co.
2. In the firm of Messrs. Jones, Loyd and Co., there is no partner of the name of Jones.
3. In the firm of Messrs. Lubbock, Forster and Co., there is no partner of the name of Forster.
4. In the firm of Messrs. Heywood, Kennards and Co., there is no Co.
5. In the firm of Messrs. Price, Marryat and Co., there is no Co.
6. In the firm of Messrs. Roberts, Curtis and Co., there is no partner of the name of Curtis.
7. In the firm of Messrs. Sapte, Muspratt, Banbury, Nix and Co., there is no Co.
8. In the firm of Messrs. Smith, Payne and Co., there is no partner of the name of Payne.
9. In the firm of Messrs. Spooner, Attwoods and Co., there is no partner of the name of Spooner.
10. In the firm of Messrs. Stevenson, Salt and Sons, there is no partner of the name of Stevenson, nor any partner whose Christian name is Stevenson.
11. In the firm of Messrs. Willis, Percival and Co., there is no partner of the name of Percival.

1. In the firm of Messrs. John Brown and Co., there is no Co.
2. In the firm of Messrs. C. Hill and Sons, there are only two partners of the name of Hill.
3. In the firm of Messrs. Hugh and John Johnston & Co., there is no partner of the name of Johnston.
4. In the firm of Messrs. Puget, Bainbridges and Co., there is no partner of the name of Puget.
5. In the firm of Messrs. Adam Spielmann and Co., there is no Co.
6. In the firm of Messrs. Chas. Twigg and Co., there is no Co.
7. In the firm of Messrs. Child and Co., the only partner of the name of Child is, "The Right Honourable Sarah Sophia Child, Countess of Jersey."

1. In the firm of Messrs. Call, Marten and Co., there is no Co.
2. In the firm of Messrs. Coutts and Co., there does not appear to be any partner of the name of Coutts. The return stands thus—"Edward Majoribanks, Sir Edmund Antrobus, Bart., Wm. Mathew Coulthurst, Bankers, individually and as trustees for the parties beneficially interested in the Will of the late Duchess of St. Albans.—Edward Majoribanks, Jun., Hugh Lindsay Antrobus, individually only."
3. In the firm of Messrs. Herries, Farquhar and Co., there is no partner of the name of Herries.
4. In the firm of Messrs. Ransom and Co., there is no partner of the name of Ransom.
5. In the firm of Sir Samuel Scott, Bart. and Co., there is no Sir Samuel Scott, Bart.
6. In the firm of Messrs. White, Ludlow and Co., there is no partner of the name of Ludlow.

In the following Firms all the Partners have the same name:—

Messrs. Curries, Messrs. Fullers & Co., Messrs. Hankey & Co., Messrs. Smith, Payne & Smiths, Messrs. Stevenson, Salt & Sons.
 Messrs. W. & J. Biggerstaff, Messrs. Challis & Son, Messrs. C. Hill & Sons, Messrs. Hoare, Messrs. Lacy & Son, Messrs. J. & W. S. Stride.
 Messrs. Drummond, Messrs. Richd. Twining & Co.

The Clearing Banks are banks of deposit and of discount, and they act as agents to the country banks. The banks in Fleet-street and in Westminster do not usually discount bills for their customers, nor act as agents to country banks. Their connexions embrace chiefly the clergy, the gentry, and the nobility. Their loans to their customers are chiefly upon landed security, and they are supposed to hold a large amount of exchequer bills and other Government securities. None of the London bankers allow interest on deposits, or charge commission on town accounts. Those who act as agents to country banks charge a commission on the debit side of the account, and some of them allow interest on the daily balance. Instead of a *pro rata* commission, some country banks pay their agents by a fixed annual payment, or by keeping in their hands a certain balance without interest. None of the present London bankers have ever issued notes, though, until the year 1844, they had legally the power of doing so. Several of them issue "Circular Notes," for the use of travellers on the continent.

The Clearing-house was established about seventy-five years ago, by some of the London bankers, for the purpose of facilitating their exchanges with each other. It was at first by no means generally approved, and some of the principal bankers refused to have recourse to it. After the number of clearing bankers had increased, a committee was formed for its government. This committee is composed of five or six of the leading bankers, and any new bank that desires to have the privilege of clearing, must now apply for permission to the committee.

The object the clearing bankers had in view was to exchange bills and cheques against bills and cheques, and thus be enabled to carry on their business with a less amount of capital. But while the bankers endeavoured to promote their own interest, they promoted at the same time the interest of the public. The sums liberated from employment in this way became available for employment in agriculture, manufacture, and commerce. Whenever any banker, therefore, is excluded from the Clearing-house, and is consequently obliged to keep a larger amount of cash in his coffers, his available capital is so far reduced, and thus

the agriculture, manufactures, and commerce of the country receive less encouragement.

The establishment of the Clearing-house has led to new arrangements in several branches of business. The stock-brokers, for instance, now settle all their receipts and payments by cheques, to be paid through the Clearing-house. The cheques a broker draws on his banker are paid at the Clearing-house by cheques of other brokers, which he lodges to his credit. The colonial brokers also, and other classes of commercial men, have fixed days for settling their accounts, and on these days draw cheques on their bankers in the morning, and pay in cheques to meet them at a subsequent part of the day. Thus the institution of the Clearing-house has become entwined with the commerce of the country, and could not be discontinued without deranging every branch of business. It has also received the sanction of the law of the land, the courts of law having decided that the presentment of a bill of exchange at the Clearing-house is a legal presentment. In this case, as in many others, the custom of bankers and merchants has become law. Many of our commercial laws have had the same origin. They have at first been mere regulations established by merchants for their own convenience; these regulations have been adopted by other classes of the community; they have been followed for a number of years; and then the law has recognised them as a portion of the commercial institutions of the country. Such was the origin of allowing three days' grace upon bills of exchange, and such has been the case with the Clearing-house. The Clearing-house is no longer, therefore, a private subscription-room, from which the parties admitted may exclude whomsoever they please, at their own caprice. They may exclude improper banking companies, as the Edinburgh banks refuse to exchange with any bank that is not respectable; but they are bound in justice to admit all respectable banks who may apply for admission.

The joint-stock banks were admitted into the Clearing-house in June 1854. The inconveniences arising from their exclusion were thus stated in a former edition of this work:—

This exclusion puts them to some inconvenience, and

to considerable expense. There are certain classes who cannot conveniently keep their account with a bank that does not clear. The banks have to keep a larger amount of money in their tills, and thus there is a loss of interest. They have to employ more clerks, to present their bills and cheques at the houses of the clearing bankers, and thus there is a greater expenditure in salaries. In lending money on the Stock Exchange, they have to stipulate for payment in bank notes, and not by a clearing cheque. In selling stock they have to make the same agreement. In these cases they have sometimes to submit to less favourable terms, as it is not always convenient, and never agreeable, to the stock-brokers to supply bank notes in the middle of the day. Other inconveniences are also occasionally experienced.

The exclusion of the joint-stock banks inflicts also some inconvenience and loss on the clearing bankers. The joint-stock banks present all their bills and cheques at the counters of the respective clearing bankers three times a-day, and receive payment in bank notes. On the other hand, each clearing banker presents his bills and notes at the same hours on the several joint-stock banks, at their respective counters, and receives payment in bank notes. To meet the claims made upon them daily by the private banks, the joint-stock banks have to keep in their tills a larger amount of bank notes than they would keep were they members of the Clearing-house. And on the other hand, each clearing banker has also to keep a larger amount of bank notes to meet the claims made upon him at his counter, by the joint-stock banks. The customer of the private banker must also make provision the day before they fall due for any bills he may have made payable at his banker's. For should those bills be in the hands of a joint-stock bank, they will be presented early in the morning, and if provision is not previously made, the bills will be dishonoured. Stock-brokers, too, have sometimes sustained annoyance from this cause. They have sold stock for parties who keep their account with a joint-stock bank, and when their cheque has been presented for payment by the joint-stock bank, it has not been paid. The answer given has been that it must come through the clearing; and as

the joint-stock bank could not pass it through the clearing, it has been returned dishonoured to the broker's customer. These inconveniences and annoyances to all parties will necessarily multiply as the business of the joint-stock banks shall increase.

SECTION VII.

THE JOINT-STOCK BANKS IN LONDON.

THE chief points in which a joint-stock bank differs from a private bank are,—the number of its partners—the permanency of its capital—and the form of its government. A private bank has not more than six partners: a joint-stock bank may have a thousand partners. If a partner in a private bank die, or become insolvent, his capital is withdrawn from the bank: in the case of a partner in a joint-stock bank, his shares are transferred, and the capital of the bank remains the same. In a private bank all the partners may attend to its administration: a joint-stock bank is governed by a board of directors. The business principles on which these two kinds of banks are administered are the same, and the observations of the preceding sections will equally apply to both.

The following are the principles of the London and Westminster Bank; the first Joint-Stock Bank established in London:—

1. That the bank shall consist of an unlimited number of partners: This is essential to its character as a joint-stock bank. It was ascertained that within the previous twenty years about twenty private banking houses had stopped payment in London—that by most of these failures the public had sustained considerable losses, and that great difficulties and embarrassments had been occasioned by the interruption to business and the want of confidence which these failures had occasioned. A bank, composed of several hundred partners, all of whose property would be answerable for its obligations to the public, seemed the most effectual way of preventing the

recurrence of these evils. To show the strength of the company and the extent of the confidence to which they are entitled, a list of the shareholders is published with the annual report of the directors. Since the act of 1844 these names have also been published at the commencement of each year in a Supplement to the *Royal Gazette*.

2. A second principle adopted was, that the bank should have a large paid-up capital.

It was observed that the London bankers did not carry on business with their own capital, but merely upon their credit: they were supposed to be men of property, and, in some cases, this supposition constituted the whole of their working capital. Hence, in some instances, London bankers had stopped payment who were perfectly solvent; but their property was not engaged in their business, and could not suddenly be realized to pay their debts. To obviate these inconveniences—to be prepared at all times for a withdrawal of its deposits—to be able to give adequate accommodation to its customers—and to support public confidence in seasons of extreme pressure, a large paid-up capital was deemed requisite. No idea seems to have been entertained of remaining satisfied with a small capital in order to pay larger dividends. The directors do not appear to have regarded themselves as mere agents, employed to obtain the most rapid return for a sum of money; but they acted as the founders of an establishment destined to take a high rank among the national institutions of the country. The capital of the bank was fixed at 5,000,000*l.* sterling, divided into 50,000 shares of 100*l.* each. All these shares are in the hands of the partners, and the paid-up capital of the bank is thus 1,000,000*l.*, with a power in the directors of calling up an additional sum of 4,000,000*l.* sterling.

3. It was observed that the London private banks were adapted only for the rich. An indispensable condition of having an account was, that a certain sum should be kept unproductive in the banker's hands. Thus the middle class of society who had the means of employing the whole of their capital in their respective occupations, were altogether excluded from the advantages of banking. To remedy this defect, the London and Westminster Bank

determined to open accounts with persons who had not the means of keeping large balances unemployed, but who were willing to pay the banks a small commission for conducting their accounts. The principle of commission is not practised in Scotland with regard to current accounts, as the banks look for payment chiefly by the issue of their notes. In this country the principle is adopted in the provinces, and even by the London bankers in regard to their country accounts. The application of this principle to London accounts was an improvement introduced by the London and Westminster Bank, and it brought the advantages and conveniences of banking within the grasp of a large class of the community to whom they were previously denied.* The expense of keeping a banking account was also reduced by the prohibition of presents or Christmas boxes to the clerks. Although the system of Christmas boxes was sanctioned by the Bank of England as well as by the private bankers, it was considered a practice more honoured in the breach than in the observance. Whether these presents are regarded as taxes upon the customers, or as charitable donations to the clerks, they were deemed to be equally objectionable.†

4. A further attempt was made to popularize the system of banking in London, by allowing interest upon small sums of money lodged on deposit receipts. All the witnesses examined before the Parliamentary Committees of 1826, had borne testimony as to the beneficial effects of this system in Scotland. And although the London and Westminster Bank, not being a bank of issue, could not regard these small deposits as an instrument of increasing its circulation of notes, yet it was thought that the system might be rendered a source of profit to the bank, and certainly an advantage to the community. The savings banks could receive no more than 30*l.* from a depositor in each year, and only 150*l.* in the whole. Those parties who had further sums they wished to deposit in a place of security, upon the principle of receiving interest on the sums thus lodged, were provided with such a place in the London and Westminster Bank. Sums from 10*l.* to

* This principle has since been adopted by the Bank of England.

† In the year 1849 this practice was discontinued by the Bank of England.

1,000%. are received on deposit, and interest allowed at a known rate, and they are at all times repayable upon demand without notice.

The London and Westminster Bank have not adopted the system of cash credits as practised in Scotland. These credits are valued by the Scotch banks chiefly as an instrument for the issue of their notes; and it may be questioned whether the system can be rendered a source of profit to a non-issuing bank without imposing heavy charges in the form of interest and commission upon the customers.

5. While, however, the founders of the bank were thus regardful of the industrious classes of the community, they were not inattentive to the interests of the wealthy. Professional men, merchants, and gentlemen of fortune, have often large sums of money in their hands for a short time, waiting favourable seasons of investment. For these sums the private bankers would allow no interest. The London and Westminster Bank determined to take temporary or permanent lodgments of sums of 1,000%. and upwards, upon special agreement as to the rate of interest and time of repayment. The rate of interest is usually governed by the state of the money market, and the principal is repaid at a fixed time, or at a few days' notice, as may be agreed upon. Parties may lodge money upon an interest account who have no current account, and those who have current accounts may transfer any portion of their balance to an interest account; but the bank allows no interest on the balance of a current account. It is considered that a large portion of the fluctuating balance of a current account must be kept in the till to meet the daily cheques drawn by the customers; that the remainder must be invested in the most available, and therefore the least productive securities; and that considerable expense is incurred by books, cheques, salaries, &c., in conducting these accounts;—and hence that the bank could not afford to grant any rate of interest which it would be worth while for the customers to receive. A person, therefore, may have two accounts—a current account and a deposit account. Upon one he receives interest—upon the other he receives none. The London and West-

minster Bank think it better to keep these two accounts distinct than to adopt any system of amalgamation.

6. Another principle of the bank—not announced in the prospectus, but adverted to in some of the Annual Reports—is that of keeping a large portion of its funds at all times in a convertible state. In the Report of March 1839, the directors state—"Although a low rate of interest prevailed during the last year, the directors did not allow the desire of making large profits to tempt them into advances upon inferior securities, or to lock up their funds in inconvertible investments;—they feel assured, that any departure from sound principles in banking, even when attended with *immediate* profit, must always *result* in loss to the proprietors, and danger to the establishment." Again, in the Report delivered in March 1844, we read—"Throughout the whole of last year money was exceedingly abundant, and, consequently, cheap. But although a low value of money affects most severely those banks that have the largest paid-up capital, and which have been so managed as to retain the full command of their funds, yet the directors did not suffer the desire of obtaining a higher rate of interest to betray them into advances upon doubtful or inconvertible securities." In conformity with this principle we find, from the account of assets and liabilities attached to the Annual Reports of the directors, that the amount invested in Government securities is considerably more than the whole capital of the bank. The propriety of such a course must have been abundantly evident during the existence of the bank, for it would be impossible to find so many "pressures" on the market, or so much fluctuation in the value of money, within any similar period in the history of banking. It may be presumed that the directors spoke from their own experience, when they stated in their Report of March 1840, "The years 1837 and 1838 were remarkable for the abundance and cheapness of money, and the year 1839 for scarcity and pressure. Neither of these extremes is favourable to large banking profits; a state in which money is easy without being abundant, and valuable without being scarce, is most conducive to the welfare of both the banking and the commercial interests of the country."

7. Another principle adopted by the London and Westminster Bank is the system of branches.

This system, to the extent to which it is now carried, does not seem to have been contemplated by the original founders of the bank. The first prospectus announced merely that a bank would be established in the City, with a branch at the West-end of the town. But a power to establish other branches was inserted in the deed of settlement, and it was soon observed that from the increasing extent and business of London, there were districts which were inadequately supplied with banking accommodation. In these districts the inhabitants were compelled either to forego all banking facilities, or to submit to the inconvenience of keeping their account with a bank at a distance from their habitation. It was to meet the public wants, more, perhaps, than with any sanguine expectation of reaping any large amount of immediate profit, that the directors extended their branches. Peradventure, too, it was feared that unless the London and Westminster Bank occupied these districts, the inhabitants might be induced to form among themselves small joint-stock banks with inadequate capital, and thus have impaired the respectability of the system. In one instance this in fact actually occurred. The mode of conducting business is the same at the branches as at the City-office. A customer's cheque can be paid only at the branch on which it is drawn, but he may have money placed to his credit with that branch at any of the other establishments. Those country notes that are made payable at the London and Westminster Bank, are, as a matter of courtesy, paid at any of the branches. Each branch makes both daily and weekly returns of its transactions, which are laid before the directors; and the affairs of all the branches are subjected to the personal inspection of the general manager. At the same time all the arrangements tend to localize the branches, so as to give them as much as possible the character of independent banks. The managers are selected for their experience in banking, and they give immediate replies to the inquiries of both their customers and the public. They are ready to afford every facility to the parochial and other authorities, in conducting the financial

arrangements of the districts. They allow the same rate of interest on deposits which is allowed at the City-office; and in making advances or discounts, they are not restricted to the amount which their own funds can supply. Thus each district has, in a branch bank, all the advantages that could be derived from an independent local bank, combined with the additional security and accommodation to be obtained from a more extended and wealthy establishment.

8. The government of the bank is in a board of directors, consisting of not fewer than twelve members. Three go out annually by rotation, but are eligible for re-election. The present number is fifteen, but it can be increased at any time by a vote of the general meeting of proprietors. There is no governor, or deputy-governor, or permanent chairman. Five of the directors are trustees, and are also registered as the public officers of the company, in whose names, or any one of them, the bank may sue and be sued. The payment of the directors is fixed by the shareholders at their general meetings. This sum was voted annually until the year 1839. Up to that year inclusive the annual profits are stated in the reports before the payment to the directors is deducted. In subsequent years these payments are deducted first, and the profits announced "after defraying the whole expense of management, including payment to directors." The qualification for a director is fifty shares in the bank.

The directors have the appointment of the managers and the clerks. Mr. James William Gilbart has been the general manager of the bank from its commencement. He was previously the manager of the Waterford Branch of the Provincial Bank of Ireland. The following is an extract from his address to the shareholders at the general meeting, held in July 1852:—

"I believe I am the oldest bank manager in England, having been a manager above five-and-twenty years. A portion of this time was passed as a manager in the Provincial Bank of Ireland, and I then became the first manager of the first joint-stock bank established in London. There is a gratification in remembering that our bank was the first. For the first in point of time implies the first in point of difficulty—the first in point of opposition to be encoun-

tered—the first in point of the necessity for wise and prudent management. The second, the third, the fourth, might all profit by the experience of the first, but the first had no experience by which to profit. I feel gratified in recollecting that the principles and rules on which the bank has been so successfully governed for the last eighteen years, were drawn up by myself, and submitted to the provisional committee before the bank came into operation. It must be gratifying to the directors, under whose sanction and authority that statement was given to the public, to find that we then advanced no principles that we have since had occasion to recal, and we indulged in no anticipations that have not been fully realized. It is gratifying to my brother managers and myself, as practical bankers, to have been the means of demonstrating the soundness of the principles that were adopted, by the success of our exertions; and it must be gratifying to the shareholders to know, that since the bank was established, they have received in dividends alone a sum equal to more than twelve times the amount of the capital paid up on the day of our opening. Such has been the history of the past. And if the same knowledge, and judgment, and prudence, and energy, and moral principle, which have characterised the past administration of the bank, should also characterise its future administration, then it is reasonable to expect that, with the blessing of Providence, our bank will rise to a much higher degree of prosperity.”

The following are the names of the present directors and principal officers:—

DIRECTORS.

Henry Bosanquet, Esq.	Thomas Farncomb, Esq. Ald.
Henry Buckle, Esq.	Charles Gibbes, Esq.
Frederick Burmester, Esq.	William Haigh, Esq.
John Garratt Cattley, Esq.	George Hanson, Esq.
Thomas Chapman, Esq. F.R.S.	John Lewis Ricardo, Esq. M.P.
James Denis de Vitre, Esq.	David Salomons, Esq. Ald.
Joseph Esdaile, Esq.	John Stewart, Esq.
Joshua Walker, Esq.	

GENERAL MANAGER.—James William Gilbert, F.R.S.

City Office.—Lothbury; W. T. Henderson, Manager.

Westminster Branch.—1, St. James's Square; J. W. Weldon, Manager.

Bloomsbury Branch.—214, High Holborn; William Ewings, Manager.

Southwark Branch.—3, Wellington Street, Borough; Edward Kingsford, Manager.

Eastern Branch.—87, High Street, Whitechapel; W. D. Asperne, Manager.

St. Marylebone Branch.—4, Stratford Place, Oxford Street; George M. Mitchell, Manager.

Temple Bar Branch.—211, Strand; Charles Ward, Manager.

Manager of the Country Department.—* * * *

Secretary, H. T. Fairland.

9. The following is a summary of the principles of the bank as announced in its last prospectus:—

The capital of the bank is 5,000,000*l.* sterling, in 50,000 shares of 100*l.* each. The sum of 20*l.* has been paid on each share, so that the paid-up capital is 1,000,000*l.* sterling. This presents the most perfect security to the public, and gives the bank the most ample means for affording to its customers every reasonable accommodation.

The bank has above twelve hundred partners, whose names are registered at the Stamp-office, and are printed with the Annual Report of the directors. The advantage obtained by a joint-stock proprietary is, that those partners who are customers to the bank participate in the profits made by their own accounts.

Current accounts are received on the same principles as those observed by the London bankers. Every person connected with the establishment signs a declaration of secrecy as to the accounts of individuals. No Christmas boxes or other gratuities are allowed to be taken by the officers of the bank. The bank also takes the agency of joint-stock banks, private bankers, and other parties residing at a distance.

Parties who are desirous of having current accounts, without being under the necessity of keeping a balance, are charged a small commission, proportionate to the amount of their transactions. This extends the advantages of a banking account to parties having moderate incomes, or who in the course of their business find ample employment for their capital.

Sums from 10*l.* to 1,000*l.* are received on deposit, at a rate of interest to be fixed at the time, and they are re-payable upon demand without notice. For these sums receipts are granted, called Deposit Receipts. By allowing interest on small sums, the benefit of the deposit system, as practised in Scotland, is extended to all classes of the community.

Sums of 1,000*l.* and upwards are also received on deposit receipts, upon such terms as may be agreed upon, with regard to the rate of interest, and the time of repayment. Trustees and others who have money which they cannot immediately employ, may thus obtain an interest for it, until an opportunity occurs for its permanent investment. Parties may lodge money upon an interest account who have no current account, and those who have current accounts may transfer any portion of their balance to an interest account.

Circular notes are issued for the use of travellers on the Continent. These notes are payable at every important place in Europe, and thus enable a traveller to vary his route without inconvenience. No expense whatever is incurred, and when cashed, no charge is made for commission. They may be obtained at the City-office in Lothbury, or at any of the branches. Letters of credit are also granted on most cities and towns in Europe; as well as New York; Cape Town and Graham's Town, Cape of Good Hope; Port Elizabeth, Algoa Bay; also Melbourne, Geelong and Belfast, Port Phillip; and Hobart Town, Van Diemen's Land.

The other joint-stock banks that carry on business in London are the following:—

The London Joint-Stock Bank, Princes Street, with a branch in Pall Mall.

The Union Bank of London, Princes Street, with branches at Charing Cross, Argyle Street, and Fleet Street.

The Commercial Bank of London, Lothbury, with a branch in Henrietta Street, Covent Garden.

The Royal British Bank, Tokenhouse Yard, with branches in the Strand, Lambeth, Islington, Southwark, Regent Circus, and Pimlico.

The London and County Bank, Lombard Street, with branches at Knightsbridge, Paddington, Southwark, Oxford Street, and about seventy places in the country.

The following table shows the condition of these joint-stock banks, as exhibited in their last published accounts:—

Bank.		Paid up Capital.	Surplus Fund.	Deposits.	Proportion per cent. of Capital to Deposits.
		£	£	£	
London and Westminster Bank	30 June, 1855	1,000,000	137,389	8,166,553	12½
London Joint Stock Bank	"	600,000	158,373	6,534,238	9
Union Bank of London	"	600,000	120,000	8,363,460	7
Commercial Bank	"	300,000	67,453	1,317,554	22½
Royal British Bank	"	100,000	13,794	982,382	10
		2,600,000	497,509	25,364,187	10½
London & County Bank, including Country Branches	"	466,332	103,719	4,012,223	11½
		3,066,332	601,228	29,376,410	10½

* An account of the history and principles of each of these banks is given in my "Practical Treatise."

To these must now be added the City Bank and the Bank of London. The National Bank of Ireland, and the London and Eastern Bank, also carry on business as London Banks.

London is also the head-quarters of the following joint-stock banks who carry on their operations at a distance:—The National Provincial Bank of England; the Provincial Bank of Ireland; the Colonial Bank; the Bank of British North America; the Ionian Bank; the Oriental Bank; the Bank of Australasia; the Union Bank of Australia, the Southern Bank of Australia, the London Chartered Bank of Australia, and several others.

The shareholders in the London joint-stock banks, as published in the Supplement to the *London Gazette* in January 1855, may be thus classified:—

	London and Westminster Bank.	London Joint-Stock Bank.	Union Bank.	Commercial Bank.	London and County Bank.	Royal British Bank.	Total.
Shareholders residing in London and within 15 miles	842	728	551	230	210	98	2,659
Ditto in the Country	452	242	167	79	468	17	1,425
Ditto in Scotland	29	14	73	9	2	2	139
Ditto in Ireland	12	4	2	2	4	2	26
Ditto Abroad	25	13	11	18	5	2	74
	1,370	1,001	804	338	689	121	4,323

In the above 4,323 shareholders are 1,147 ladies—of whom 73 are married, 329 are widows, 693 are spinsters, and 52 whose designations are not given.

SECTION VIII.

THE COUNTRY PRIVATE BANKS.

THESE banks cannot have more than six partners. They are banks of deposit, of loan, and of discount. As banks of deposit, they usually allow interest on both deposits and balances of current accounts, and charge a commission on

the amount of the transactions. In commercial or manufacturing districts their advances are usually made by way of discount; in agricultural districts, frequently by loans. They remit money by issuing bills or letters of credit on London, or they direct their agents to make payments to bankers or other parties resident in London. As banks of circulation, they have at various times occupied a large portion of public attention, and have been the subject of much legislation.

Those bankers who wish to issue notes must take out a licence, which will cost 30*l.*, and must be renewed every year. They may re-issue any notes not above the value of 100*l.* as often as they think proper. And should any of the firm die or remove from the business, the notes may be issued by the remaining partners. But they cannot be re-issued by a new firm, which does not include any member belonging to the firm by whom the notes were first issued.

If the half of a note be lost or stolen, a banker cannot be compelled to give a new note in exchange for the remaining half. But if it can be proved that one-half of a note is burnt, or otherwise destroyed, then the holder may perhaps recover the note from the banker. In such cases, the bankers always pay the value of the note on receiving a respectable indemnity.

Bankers may be compelled to pay whole notes that have been lost or stolen, provided the holder has given actual value for them.

Country banks are allowed to compound for the stamp duties on their notes, at the rate of seven shillings per cent. per annum upon the amount in circulation, and to include, on the same terms, their bills drawn on London at twenty one days after date. But whether a country banker compounds for the stamp duties or not, he must make a return to the Government of the amount of his notes in circulation every Saturday night. These returns are afterwards published in the *London Gazette*.

The following are the enactments respecting country bankers in the Act 7 & 8 Vict. c. 32, passed in 1844:—

1. That no new bank of issue be established in the United Kingdom.

2. That the *maximum* of each bank of issue in England

shall be the *average* of the notes in circulation during the four weeks ending the 27th of April, 1844.

3. That if any bank having not more than six partners should exceed that number, it would lose its issue. This tends to prevent private banks of issue becoming joint-stock banks.

4. That no union can take place between a joint-stock bank and a private bank, or between two joint-stock banks of issue, without one of them at least losing its circulation.

5. Every new branch at which notes shall be issued must take out a separate licence. Hitherto no bank had been obliged to take out more than four licences, however numerous its branches. This tends to check the opening of new branches of issue.

It has been stated that the object of this Act was to pave the way for the establishment of one bank of issue. These provisions are certainly not ill-adapted for such an end. They will reduce the amount of the country circulation. They will produce other ill effects. The formation of large banks will be retarded. In some places it would be for the public advantage that a private bank should become a joint-stock bank. In other districts, it might be desirable that two small joint-stock banks of issue should unite and form a large one. The restrictions imposed by this Act will tend to prevent such unions. Perhaps in other respects its effects may be beneficial. It may lead a larger number of persons to keep current accounts with bankers, and to make their payments with cheques. A smaller amount of notes will then be necessary for the purposes of the country. The advantages of having a banker will be extended to the middle and lower classes, and will not as much as heretofore be confined to the wealthy. The Act, too, may have the effect of exempting the banks of issue from those accusations to which they have always been subjected on the occurrence of any season of general speculation.

The whole Act of 1844 is formed upon the notion that the country bankers can extend their issues as much as they please—"a vulgar error," that has over and over again been abundantly refuted. And this Act appears to have

been the less necessary, as during the previous five years there had been a gradual reduction in the annual amount of the country circulation, as appears from the following Table, which shows the average amount in each year, from 1839 to 1843, both inclusive :—

1839	£11,715,527
1840	10,457,057
1841	9,671,643
1842	8,249,052
1843	7,667,916

This extensive reduction in the country circulation was attributed to the following causes:—First, The great dullness of trade in every part of the country. Secondly, The fall in the price of corn in connexion with bad harvests. Thirdly, The introduction of the penny postage, and the system of registered letters. The uniform penny post was commenced on the 10th of January, 1840, and the registry of letters on the 6th of January, 1841. In consequence of these arrangements every banker sends off every night, either to London or elsewhere, for payment, all the notes of other banks he may have received during the day, excepting those issued in the same town. This must have occasioned a large reduction in the amount returned as notes in circulation. The amount in the hands of the public is the same, but the amount in the hands of other bankers is considerably reduced. Fourthly, the practice of keeping banking accounts has extended very much of late years. Instead of carrying notes in their pockets as formerly, people now lodge their notes with their banker, and make their payments by giving cheques on the bank. The facilities of travelling by railways and other means have also tended to diminish the amount of notes in circulation, and to cause them to be returned more rapidly for payment to the bankers. Fifthly, the circulation of the private bankers had been reduced by failures, and by merges into joint-stock banks; and on the other hand, several joint-stock banks had withdrawn their own notes, and made arrangements for issuing the notes of the Bank of England.

The total number of private banking firms at present

in the country is 282, of which 167 are banks of issue. The following is the state of the fixed issues of the banks in the United Kingdom, as they stood on the 1st November, 1854.

STATE OF THE FIXED ISSUES, 1854.

Original fixed issue of 203 Private Banks (<i>England and Wales</i>) by the Act of 1844	£5,153,407
Deduct 38 Private Banks, since ceased to issue	545,952
Present amount of fixed issue of 165 Private Banks (at 2d Nov. 1854)	£4,607,455
Original fixed issue of 72 Joint-Stock Banks, by same Act £3,495,446	
Deduct 7 Joint-Stock Banks, since ceased to issue	169,589
Present amount of fixed issue of 65 Joint-Stock Banks (at 2d Nov. 1854)	3,325,857
Fixed issue of Private and Joint-Stock Banks (at 2d. Nov. 1854)	£7,933,312

No alteration has taken place in the Bank of England, or in Scotch or Irish banks' fixed issues, since the Act of 1844. The following is, therefore, the exact present state of the fixed issues :—

SUMMARY.*

1. Fixed issue of the Bank of England	£14,000,000
2. Fixed issue of 165 Private Banks in England and Wales	4,607,455
3. Fixed issue of 65 Joint-Stock Banks in England and Wales	3,325,857
4. Fixed issue of Banks in Scotland	3,087,209
5. Fixed issue of Banks in Ireland	6,354,494
Total fixed issue of Banks in the United Kingdom on the 2d Nov. 1854	£31,375,015

Should any English private or joint-stock bank, upon an average of four weeks, exceed the amount of its authorized issue, it would be liable to a penalty equal to the amount of the excess. The Bank of England, and the Banks of Scotland and of Ireland, are permitted to exceed their authorized issue, provided they hold in their vaults an equal amount of gold and silver, the silver not to be more than one-fourth the amount of the gold.

* Banking Almanac for 1855, p. 54.

SECTION IX.

THE COUNTRY JOINT-STOCK BANKS.

By a clause in the charter of the Bank of England, no partnership formed for carrying on the business of banking could consist of more than six persons; but by an Act passed in the year 1826, co-partnerships of more than six in number are permitted to carry on business as bankers in England, *sixty-five miles from London*, provided they have no house of business or establishment as bankers in London, and that every member of such co-partnership shall be responsible for all the debts of the company. They must also deliver to the Stamp-office the names and places of abode of all their members, and also a list of their officers. These lists are to be copied into a book, which any person is entitled to see on paying one shilling, and to obtain a copy of for ten shillings. The banks may sue and be sued in the name of their public officer, and execution upon judgment may be issued against any member of the co-partnership.

The following are the provisions of the Act 7 & 8 Vict. c. 113, passed in 1844, to regulate Joint-stock Banks in England:—

No Joint-Stock Bank established after 6th May last to carry on business unless by virtue of Letters Patent granted according to this Act; but Companies previously established not restrained from carrying on business until Letters Patent have been granted.

“Whereas the laws in force for the regulation of co-partnerships of bankers in England need to be amended: be it enacted by the Queen’s most excellent Majesty, by and with the advice and consent of the Lords Spiritual and Temporal, and Commons, in this present Parliament assembled, and by the authority of the same, That it shall not be lawful for any company of more than six persons to carry on the trade or business of bankers in England, after the passing of this Act, under any agreement or covenant of co-partnership made or entered into on or after the sixth day of May last passed, unless by virtue of letters patent to be granted by her Majesty according to the provisions of this Act; but nothing herein contained shall be construed to restrain any such company established before the said sixth day of May, for the purpose of carrying on the said trade or business of bankers

in England, from continuing to carry on the same trade and business as legally as they might have done before the passing of this Act, until letters patent shall have been granted to them severally on their application, as hereinafter provided, to be made subject to the provisions of this Act.

Company to Petition for Charter.

“II. And be it enacted, That before beginning to exercise the said trade or business every such company shall present a petition to her Majesty in council, praying that her Majesty will be graciously pleased to grant to them letters patent under this Act; and every such petition shall be signed by seven at least of the said company, and shall set forth the following particulars; (that is to say,)—

“First, The names and additions of all the partners of the company, and the name of the street, square, or other place, where each of the said partners reside.

“Second, The proposed name of the bank.

“Third, The name of the street, square, or other local description of the place or places where the business of the bank is to be carried on.

“Fourth, The proposed amount of the capital stock, not being in any case less than one hundred thousand pounds, and the means by which it is to be raised.

“Fifth, The amount of capital stock then paid up, and where and how invested.

“Sixth, The proposed number of shares in the business.

“Seventh, The amount of each share, not being less than one hundred pounds each.

Charter to be granted on Report of Board of Trade.

“III. And be it enacted, That every such petition shall be referred by her Majesty to the Committee of Privy Council for Trade and Plantations; and so soon as the Lords of the said committee shall have reported to her Majesty that the provisions of this Act have been complied with on the part of the said company, it shall thereupon be lawful for her Majesty, if her Majesty shall so think fit, with the advice of her Privy Council, to grant the said letters patent.

Deed of Settlement.

“IV. And be it enacted, That the deed of partnership of every such banking company shall be prepared according to a form to be approved by the Lords of the said committee, and shall, in addition to any other provisions which may be contained therein, contain specific provisions for the following purposes; (that is to say,)—

“First, For holding ordinary general meetings of the company once at least in every year, at an appointed time and place.

"Second, For holding extraordinary general meetings of the company, upon the requisition of nine shareholders or more, having in the whole at least twenty-one shares in the partnership business.

"Third, For the management of the affairs of the company, and the election and qualification of the directors.

"Fourth, For the retirement of at least one-fourth of the directors yearly, and for preventing the re-election of the retiring directors for at least twelve calendar months.

"Fifth, For preventing the company from purchasing any shares, or making advances of money, or securities for money, to any person on the security of a share or shares in the partnership business.

"Sixth, For the publication of the assets and liabilities of the company once at least in every calendar month.

"Seventh, For the yearly audit of the accounts of the company, by two or more auditors, chosen at a general meeting of the shareholders, and not being directors at the time.

"Eighth, For the yearly communication of the auditors' report, and of a balance sheet, and profit and loss account, to every shareholder.

"Ninth, For the appointment of a manager, or other officer to perform the duties of manager.

"And such deed, executed by the holders of at least one-half of the shares in the said business, on which not less than ten pounds on each such share of one hundred pounds, and in proportion for every share of larger amount, shall have been then paid up, shall be annexed to the petition; and the provisions of such deed, with such others as to her Majesty shall seem fit, shall be set forth in the letters patent.

No Company to commence Business till Deed executed, and all the Shares subscribed for, and at least half the Amount paid up.

"V. Provided always, and be it enacted, That it shall not be lawful for any such company to commence business until all the shares shall have been subscribed for, and until the deed of partnership shall have been executed, personally or by some person duly authorized by warrant of attorney to execute the same on behalf of such holder or holders, by the holders of all the shares in the said business, and until a sum of not less than one-half of the amount of each share shall have been paid up in respect of each such share; and it shall not be lawful for the company to repay any part of the sum so paid up without leave of the Lords of the said committee.

Company to be Incorporated.

"VI. And be it enacted, That it shall be lawful for her Majesty in and by such letters patent, to grant that the persons by whom

the said deed of partnership shall have been executed, and all other persons who shall thereafter become shareholders in the said banking business, their executors, administrators, successors, and assigns respectively, shall be one body politic and corporate, by such name as shall be given to them in and by the said letters patent, for the purpose of carrying on the said banking business, and by that name shall have perpetual succession and a common seal, and shall have power to purchase and hold lands of such annual value as shall be expressed in such letters patent; and such letters patent shall be granted for a term of years, not exceeding twenty years, and may be made subject to such other provisions and stipulations as to her Majesty may seem fit.

Incorporation not to limit the Liability of the Shareholders.

"VII. Provided always, and be it enacted, That notwithstanding such incorporation the several shareholders for the time being in the said banking business, and those who shall have been shareholders therein, and their several executors, administrators, successors, and assigns, shall be and continue liable for all the dealings, covenants, and undertakings of the said company, subject to the provisions hereinafter contained, as fully as if the said company were not incorporated."

By the 48th section of this Act, "Every company of more than six persons carrying on the trade or business of bankers in England, shall be deemed a trading company within the provisions of an Act passed in this session of Parliament, intituled 'An Act for facilitating the winding up the affairs of Joint-Stock Companies unable to meet their pecuniary engagements.'" This Act is the 7 and 8 Vict. cap. 111, (September 1844,) and it renders all joint-stock companies subject to the law of bankruptcy. No joint-stock bank has ever been made bankrupt. It is presumed, from the number of regulations prescribed by the Act, that the process of bankruptcy would, in the case of a banking company, be both tedious and expensive.

In the year 1848 an Act was passed (11 and 12 Vict. cap. 45), to amend the Acts for facilitating the winding-up the affairs of joint-stock companies unable to meet their pecuniary engagements, and also to facilitate the dissolution and winding-up of joint-stock companies and other partnerships. The legal title of this Act, to distinguish it from other Acts, is, "The Joint-Stock Companies' Winding-up Act, 1848."

The object of this Act is to enable the directors of an

insolvent company to compel the shareholders individually to pay their portion of the loss. There was previously much difficulty in doing this. If all the nominal capital had been called up, the directors could make no further calls. In cases where they had the power of making calls, these calls could not be enforced without an appeal to the Court of Chancery. It was therefore customary for the directors to "confess judgment" to some creditor, and this creditor brought actions against the refractory shareholders for the whole amount of his claim, but granted a release on receiving that sum which the shareholders ought justly to pay, in proportion to their shares.

By this Act the directors or any shareholder of a company that has stopped payment, may present a petition to the Lord Chancellor, or to the Master of the Rolls, in a summary way, for the dissolution and winding-up of the company. If the order be granted, it is referred to a Master in Chancery, who will appoint an official manager to wind up the affairs of the company. The official manager is to collect all the debts due to the company, and to pay all its creditors. With the consent of the Master he can make calls on the shareholders for such amounts, and payable at such times, as the Master may direct. The company is to sue and be sued in the name of the official manager. The object of the Act, however, is rather to settle disputes and claims of the shareholders among themselves, than to protect them against their creditors. Several joint-stock banks have been wound up under the operation of this Act.

The total number of the London and Country Joint-Stock Banks is 96, of which 65 are Banks of Issue. The only Joint-Stock Banks in England yet in operation, formed under the Act of 1844, are the Preston Banking Company, at Preston, and the Royal British Bank, in London.

The following is a summary of the banks in England and Wales :*

"We will now classify the country circulation topographically. —Within a circle of 65 miles of London, a circle of 130 miles in diameter—there is no joint-stock bank of issue, nor any branch of

* This Summary is taken from a paper on "The Laws of the Currency in England," read at Liverpool last year, before the Statistical Section of the British Association. It has since been published in the "Statistical Journal."

the Bank of England. The issuing country banks may, therefore, be divided into those within this circle and those without it. And we then find—

47 Private Banks, within the circle, are authorized to issue . . .	£1,303,318
120 Private Banks, without the circle, are authorized to issue . . .	3,313,291
65 Joint-Stock Banks, without the circle, are authorized to issue . . .	3,325,857

Total Country Circulation 7,942,666

"We will now compare the issuing banks with the non-issuing banks. By a non-issuing bank, I mean a bank that does not issue its own notes. I believe all the non-issuing banks issue exclusively the notes of the Bank of England; they do not reissue even the notes of other banks that they receive from their customers, but forward them immediately for payment. There is no bank of issue in London except the Bank of England. Within 65 miles of London there are 47 private banks of issue, making with their branches or agencies 100 banking establishments; within this circle there is no joint-stock bank of issue; beyond 65 miles from London there are 120 private banks of issue, making with their branches or agencies 241 banking establishments, and 65 issuing joint-stock banks, making with their branches and agencies 404 banking establishments: thus the total number of issuing banking establishments in England and Wales, is 745.

"The non-issuing banking establishments in England and Wales are as follows :—

In London . . . Private banks	58	
Ditto . . . Joint-stock establishments	23	
	Total in London	81
Within 65 miles, Private banking establishments	23	
" Joint-stock banking establishments	72	
		96
Beyond 65 miles, Private banking establishments	92	
" Joint-stock banking establishments	86	
		178
	Total in England and Wales	355
	Add Issuing banking establishments	745

Total banking establishments . . . 1,100 *

"The number of places that have banking establishments within 65 miles is 123, and beyond that distance 443; so that, including London, there are in England and Wales 567 places which unitedly have eleven hundred banking establishments."

"The following are the localities of the non-issuing joint-stock banks :—6 in London, 5 in Liverpool, 3 in Manchester, 3 in Birmingham, 2 in Newcastle-on-Tyne, 1 in Ashton, Bolton, Stockport, Aylesbury, Bury, Plymouth, Swansea, Southampton, Portsmouth, Preston, and Sheffield—making a total of 30 banks. These banks have among them 148 branches—making a total of head-offices and branches of 178 banking establishments."

* These are exclusive of the Bank of England and her eleven branches.

SECTION X.

THE BANKS OF SCOTLAND.

THE Act which now regulates the issue of bank notes in Scotland is 8 & 9 Vict. c. 38, passed in the year 1845.

By this Act, the power of issuing notes is confined to those banks that issued notes in the year preceding the 1st day of May, 1845. And the amount to which each bank may issue is not to exceed the average amount of notes it had in circulation during the year ending the 1st of May, 1845, and the amount of gold or silver coin it may at the time have in possession at the head office or principal place of issue, in the proportion that the silver shall not be more than one-fourth the amount of the gold.

This Act was to come into operation on the 6th day of December, 1845. After which day each banker is to make weekly returns to the Stamp-office of his notes in circulation, and of the gold and silver coin on hand; and the averages of four weeks are to be published in the *London Gazette*, with a certificate from the commissioner as to whether the bank has held the amount of coin required by this Act.

All banks, except the Bank of Scotland, the Royal Bank of Scotland, and the British Linen Company, are required to send to the Stamp-office, between the 1st and 15th days of January inclusive, the names of all their partners, which shall be published by the 1st day of March following in some newspaper circulating within each town or county respectively in which the head office or principal place of issue of such bank is situated.

Bank of England notes are not to be a legal tender in Scotland.

In the Acts of Parliament passed in 1844 and 1845 for Regulating Banks of Issue in England and in Scotland, we may observe the following differences:—

1. The *maximum* of the circulation in England is the

average of the twelve weeks ending the 27th of April, 1844. The *maximum* in Scotland is the average of the year ending the 1st day of May, 1845.

2. The English banks are not, under any circumstances, allowed to exceed the fixed limit. The Scotch banks are allowed to exceed their limit, provided they hold in their coffers at the head office an amount of gold and silver equal to such excess.

3. In England, should two joint-stock banks of issue effect a junction, the circulation of one of them would be forfeited,* and the united bank could issue only to the amount which the other bank had previously issued. In Scotland, the United Bank is allowed to issue to the amount of the two circulations added together.

4. In Scotland, notes under 5*l.* are still permitted. In England, notes under 5*l.* are still prohibited.

The differences between the English and the Scotch banks are the following:—

1. The Scotch banks are all joint-stock banks. In England there is a mixture of joint-stock and private banks.

2. The Scotch banks are all banks of issue. In England there are many, both private and joint-stock banks, that are not banks of issue.

3. The Scotch banks generally have branches. In England most of the private banks, and some of the joint-stock banks, have no branches.

4. The Scotch banks universally grant interest on the balance of current accounts—a practice not universally adopted in England, especially in London.

5. The mode of making advances by way of “cash credit” is general in Scotland, but very rare in England.†

We may also observe some other differences, chiefly of a business character, which have an important bearing on the interest of the community.

* There is no express provision in the English Act with reference to the junction of two joint-stock banks. We consider that only one of the banks would lose its issue, *provided* the continuing bank retained its original title, so as not to create a new bank. But if by the union a new bank should be formed, then both the banks would lose their issues. In the same way we think that the union of an issuing and a non-issuing bank would cause no change in the issue. But then the new bank must retain the title of the old issuing bank. Its right of issue would not be affected by taking new directors or new shareholders.

† The system of cash credits is fully explained in my “Practical Treatise.”

The banks of Scotland have generally a large paid-up capital.

"Two great errors appear to have been committed in the formation of joint-stock banks in England, and, until these are remedied, such establishments can hardly expect to reach a higher degree of importance or credit than is attainable by a wealthy private bank. These evils are, in the first place, too small a capital relatively to the extent of business undertaken; and, in the next place, the circumstance of the issues of the joint-stock banks being left uncontrolled by any effective system of *exchange*. The advantage of a small capital in banking is, that it enables the establishment, if at all successful in business, to pay a large dividend. The profits of banking depend, in a great measure, on the amount of deposits and circulation, and according as these are great or small compared with the extent of the capital, will the company be enabled to divide a larger or smaller dividend. It therefore becomes the obvious policy of those establishments, the managers of which conceive that the success of a bank is proved by the early payment of a high dividend, to keep the capital of the company within the narrowest possible limits. This system has been carried to the utmost extreme in England; and hence, although large dividends have been paid to the shareholders, there has been no corresponding increase of confidence on the part of the public. The Scotch banks, on the other hand, have pursued a directly opposite course. Their object has been to secure public confidence by the extent of their capital, and they have continued to pay moderate dividends to their shareholders, until justified in augmenting them by years of success, and a large accumulated sinking-fund."*

In operating on his current account, it is not the general practice in Scotland for a customer to draw cheques on the bank for his individual payments, nor to accept bills payable at the bank. If he has to make twenty payments in the course of the day, he will go to the bank in the morning, and draw out in one sum a sufficient amount of notes to make all these payments. On the other hand, if a customer should receive money from twenty different people in the course of the day, he will not receive cheques, as there are none in circulation, but bank notes, which at the close of the day he will pay in one sum into the bank. In England, all these receipts and payments would be made in cheques, each having

* Letter to J. W. Gilbart, by Robert Bell.

probably odd shillings and pence. From this cause, the trouble and expense to a bank of conducting a current account is much greater in England than in Scotland.

The system of numerous branches leads to uniformity all over Scotland in the terms on which business is transacted in the banks. From the small number of banks that existed for many years in Scotland, and from the circumstance that the head offices of most of these banks were fixed at Edinburgh, it was easy for them to form arrangements among themselves for the regulation of their business. Hence arose a uniformity of practice among all the banks, and throughout the whole of Scotland. This uniformity of practice does not exist in England. The system of London Banking is different from that in the country. And the banking of one district differs from that of another district. It would be difficult to produce any general union in England, even among the joint-stock banks. There is a difference in the character of their localities. Their head offices are too wide apart to admit of frequent personal communication. And it may be feared that among the joint-stock banks of England there is not enough of that *esprit du corps* which is essential to the existence of a general confederation. There is, however, considerable competition among the banks of Scotland. This rivalry, however, does not lead to transacting business on lower terms. Indeed these terms are always very moderate. The difference between the rate of interest allowed and charged is rarely more than one per cent. No commission is charged on current accounts; and it is only recently, we believe, that commission has been charged on the amount (not the operations) of cash credits. Sometimes the banks at Glasgow, when there is a great demand for capital, have been disposed to grant a higher rate of interest than the banks of Edinburgh.

The system of numerous branches enables the banks of Scotland to transfer the surplus capital of the agricultural districts to the manufacturing and commercial districts, without going through the process of re-discounting their bills. Some Scotch writers have considered it a reproach to the English banks that they re-discount their bills, and have boasted that, with rare exceptions, the practice of

re-discount is unknown in Scotland. The accusation is made without due consideration. The system of branches makes a difference in all banking arrangements. A bank in an agricultural district, say at Norwich, has a superabundance of money. A manufacturing town, say Manchester, has a demand for money. The bank at Norwich will send its money to a bill-broker in London. The bank at Manchester will send its bills to the same broker. A re-discount takes place. But let us suppose that the bill-broking establishment should become the head office of a large bank, having one branch at Norwich, and another at Manchester. Then no re-discount will occur. The bills discounted at Manchester will never pass out of the possession of the bank. Nevertheless, the surplus funds at Norwich will be transferred to meet the wants of Manchester as effectually as before. This is an illustration of the branch system in Scotland. A bank at Edinburgh will have branches in both the agricultural and the manufacturing districts. Or a bank whose head office is in a manufacturing town, will have branches in the agricultural districts. Thus the surplus funds of Perth, Ayr, and Dumfries, are speedily transferred to be employed at Glasgow, Paisley, and Dundee. Were a bank to be established at Glasgow without branches, it would probably have occasion for discount at certain times, as well as the banks at Manchester or Leeds.

The Scotch bankers are loud in their praises of the system of exchanges. And justly so. But they are in error when they suppose that nothing like it exists in England. We have shown that the country banks make their exchanges with each other, and pay the difference by a draft on London. These operations have the same effect as the exchanges in Scotland of withdrawing from circulation all the superfluous notes; that is to say, all the notes that come into the hands of the bankers. If it be true that notes remain out longer in circulation in England than in Scotland, it arises not from any difference in the system of exchanges, but from a difference in the habits of the people with regard to "keeping a banker." If a Scotch banker issue 1,000*l.* of notes in the morning, he feels assured that these notes will be paid into some other

bank in the course of the day. An English banker is not so sure. The party may not "keep a banker," and he may then lock up the notes in a strong box for a week or ten days, until he have occasion to make a payment. We think it desirable that every man who has money should lodge it in a bank, not merely for interest, but for security; and therefore we approve of the Scotch practice. But it is this universal practice of having a banker, and not merely the system of exchanges, that withdraws notes so rapidly from circulation.

At the same time it should be stated, that the Scotch bankers are of opinion that our system of banking in England is chargeable with some portion of the blame. They say that as the English banks do not universally allow interest on deposits and current accounts, the people have not the same inducement as in Scotland for placing their money in a bank. And as many banks charge commission on the operations of a current account, it is the interest even of those who keep bankers to pay away the notes they receive to other parties, rather than to lodge them to their credit with their banker.

Even were the keeping of a banker as general in England as in Scotland, the same system of exchanges could not be adopted. The Scotch system requires an equality, or an approach to it, among the several banks—that the head offices of these banks, generally, should be in the capital—and that the banks should have numerous branches throughout the country. These circumstances do not exist in England. And, moreover, we have the Bank of England, whose notes are a legal tender. It is obvious there can be no exchange of notes in places where, as in London, there is only one bank of issue. But the exchanges between English country banks are precisely upon the same principle as those in Scotland, and have similar effects. The differences are paid by drafts on London, payable on demand; and these drafts again pass through the clearing.

Another advantage ascribed to the Scotch system of exchanges is, the surveillance which, by this means, the large banks at Edinburgh are able to exercise over the smaller banks in the provinces. That this surveillance

exists in Scotland, and that it has been exercised beneficially, we entertain no doubt. It is equally true that such a surveillance does not exist in England. But the system of exchanges is not the cause of this surveillance, it is merely the instrument. In Scotland, the banks being few, and all their head officers being at Edinburgh, they are able to confer together, and to fix on rules for their general government. With any inferior bank that refuses to comply with these rules, they can refuse to exchange notes, and thus force it to compliance. In England, where the banks are numerous, and where their head offices are distant from each other, such a system cannot well be formed; and hence each bank is free from the control of other banks, and may pursue any course it pleases, however injurious to itself or to others, so long as it is able to make good its payments to the public. The banks at Edinburgh, too, by means of their numerous branches, have the earliest information of any irregular practice that may have been adopted by a local bank in the provinces;—but the large banks in London have comparatively but a very imperfect knowledge of the operations of either the private or the joint-stock banks that are scattered over the country.

From a want of this surveillance, banks in England have carried on business for years after they have been supposed to be insolvent. Hence they have gone on until their losses have not only absorbed the whole of their capital, but have required to replace them further contributions to a large amount from their shareholders. In Scotland, these banks, if they could not be kept in the right path, would probably have been compelled to stop before they had wandered so widely. Banks, as we have seen, do sometimes fail in Scotland, but never under circumstances that shake the public confidence in the general banking institutions of the country.

The confidence placed in the banks of Scotland by the public renders them less exposed to inconvenience during a season of pressure. When a pressure takes place in England, the first object of suspicion are the banks.*

* See the Section in the "Practical Treatise" on "the Administration of a Bank during a Season of Pressure."

People that have money in their banker's hands draw it out, and hoard it. The bankers, knowing that they are liable to these demands, draw in their funds, and make provision accordingly. Hence the capital of the country is rendered dormant at the time when it is most required to be in a state of activity. Banks that issue notes are more liable than others to these sudden demands. But no such feeling exists at present in Scotland. And should the Act of 1845 have the effect of inoculating the people with the love of gold, and by this means place the banks in the same position during a pressure as the banks of England, it must be regarded as a national calamity.

The following table, from the Edinburgh Almanack, exhibits the paid-up capital, the fixed circulation, and other particulars of the banks of Scotland, as they existed in December, 1854.

Insti- tuted.	NAME.	Paid up Capital.	Share Paid.	Div. Rate.	Part- ners.	Authorized Circulation.	Br.
		£	£			£	
1695	Bank of Scotland*.....	1,000,000	100	7	...	300,485	31
1727	Royal Bank*	2,000,000	100	5	979	183,000	9
1746	British Linen Co.*	1,000,000	100	8	578	438,024	44
1810	Commercial Bank* ...	600,000	100	8	645	374,880	53
1825	The Nat. Bank of Scot.*	1,000,000	100	7	1486	297,024	42
1829	Union Bk. of Scotland	1,000,000	50	8	850	415,690	56
1838	Edin. & Glasgow Bank	1,000,000	5	4	1540	136,657	22
1825	Aberdeen Town and County Bank	134,575	5	6	484	70,133	14
1836	North of Scotland Banking Company.	191,352	2½	8	1437	154,319	28
1763	Dundee Banking Co...	60,000	60	5	76	33,451	1
1838	Eastern Bank of Scotland.....	121,140	10	6	420	33,636	4
1832	Western Bank of Scotland.....	1,500,000	50	8	1255	337,938	81
1838	Clydesdale Bankg. Co.	807,380	10	6	1429	104,028	11
1839	City of Glasgow Bank	1,000,000	10	5½	1270	72,921	43
1833	Caledonian Bankg. Co.	125,000	2½	8	819	53,434	8
1766	Perth Banking Co.	100,050	100	9	200	38,656	7
1834	Central Bank of Scot..	62,200	25	8	447	42,933	8

It will be seen from the above table that there are now only seventeen banks in Scotland. The head offices of these banks are located in six places. The bank of

* The capital of the banks marked with an asterisk is not in shares, but in stock transferable to any amount.

Scotland, the Royal Bank, the British Linen Company, the Commercial Bank, the National Bank, and the Edinburgh and Glasgow Bank, have their head offices in Edinburgh. The Union Bank of Scotland, the Western Bank, the Clydesdale bank, and the City of Glasgow Bank, have their head offices in Glasgow. The Aberdeen Town and County Bank, and the North of Scotland Bank, are in Aberdeen. The Dundee Banking Company and the Eastern Bank of Scotland, are at Dundee. The Caledonian Bank is at Inverness. The Perth Banking Company, and the Central Bank of Scotland, have their head offices in Perth. It will be seen from the above table that these banks have among them four hundred and sixty-two branches.

SECTION XI.

THE BANKS OF IRELAND.

THE last Act of parliament for regulating banks in Ireland is the 8 & 9 Vict. cap. 37, passed in the year 1845.

This Act recites that by the Act 21 and 22 Geo. III. an Act was passed for establishing a bank by the name of the Governor and Company of the Bank of Ireland; and which prohibited any other company consisting of more than six persons to issue notes payable on demand or within any time less than six months. That by the Act 1 & 2 Geo. IV. cap. 72, other companies consisting of more than six partners might issue notes payable on demand, at a greater distance than fifty miles (Irish) from London. And that by 6 Geo. IV. cap. 42, and 1 Wm. IV. cap. 32, such co-partnerships of bankers might transact certain matters of business by agents in Dublin, including the payment though not the issue of notes.

The Act further recites that the bank of Ireland had at various times advanced for the public service, the several sums of 600,000*l.*, 500,000*l.* and 1,250,000*l.* late Irish currency; and that by the 48 Geo. III. cap. 103, the charter of the Bank of Ireland was extended to the first

day of January, 1837—upon twelve months' notice to be published in the *Dublin Gazette*, and after the repayment of the above-mentioned sums. And that by the Act 1 & 2 Geo. IV. cap. 72, the Bank of Ireland had agreed to advance a further sum of 500,000*l.*, and the bank was empowered to enlarge their capital to 3,000,000*l.*; making the total advances 2,850,000*l.* late Irish currency, equal to 2,630,769*l.* 4*s.* 8*d.* sterling money of the United Kingdom of Great Britain and Ireland; on which, by the Act 3 & 4 Vict. c. 75, the bank received an annuity from the Government of 115,384*l.* 12*s.* 4*d.* sterling, payable on the 5th of January and 5th of July in each year, redeemable upon six months' notice, to be given after January 1st, 1841, and after payment of the above-mentioned sums.

The Act further recites, that the above annuity of 115,384*l.* 12*s.* 4*d.* has, with the consent of the said governor and company, been reduced to 92,076*l.* 18*s.* 5*d.*, being at the rate of $3\frac{1}{2}$ per cent. per annum on the capital sum of 2,630,769*l.* 4*s.* 8*d.*, which capital sum shall not be repaid until the expiration of six months' notice, to be given after January 1st, 1855; and that, during such term, the said governor and company shall manage the public debt free of all charge. The company is to continue a corporation, for the purpose of carrying on the business of banking, but not to have any exclusive privileges. The charter to continue until the expiration of twelve months' notice, to be given and published in the *Dublin Gazette*, after January 1st, 1855, and upon repayment of the sums due from the Government to the bank.

The Act removes, from the 6th day of December, 1845, all restrictions upon banks having more than six partners issuing notes and carrying on business in Dublin, and within fifty miles thereof. But no bank shall issue any larger amount of notes than the average amount it had in circulation during the year ending the 1st day of May, 1845, (which amount shall be certified by the Commissioners of Stamps,) and the amount of gold and silver coin he may have in his hands, in the proportion of not more than one-fourth of silver to that of gold.

In case two banks should unite, the new bank to have

the power of issue to the amount of both the united banks. Any bank may arrange with the Bank of Ireland to give up its issue; and in that case the Bank of Ireland may increase its issue to that amount. But the bank that thus contracts shall not afterwards resume its issue. All notes for a fractional part of a pound are prohibited. Each bank issuing notes is required to send to the Stamp-office weekly returns, stating the amount of notes in circulation on each Saturday, distinguishing those below 5*l.*; and also the amount of gold and silver coin held at each of the head offices or principal places of issue in Ireland. And from these returns the Commissioners of Stamps and Taxes shall make a monthly return, which shall be published in the *Dublin Gazette*. This monthly average must not exceed the amount certified by the commissioners and the amount of gold and silver on hand.

All banks are required to send a list of their shareholders to the Stamp-office, every year, between the 1st and the 15th of January, to be published in the *Dublin Gazette* before the 1st day of the succeeding March. All banks, whether they issue notes or not, are entitled to sue and be sued in the name of their public registered officer.

Upon the Act of 1845, for the Regulation of Banks in Ireland, we may observe:—

1. The authorized issue is, like that of the banks of Scotland, the average amount of the year ending on the 1st day of May, 1845.

2. If any two banks unite, the new bank may issue to the amount of the circulation of both the united banks. Here the law is the same as that of Scotland, but different from that of England.

3. If any bank gives up its issue, and agrees to issue Bank of Ireland notes, the Bank of Ireland may increase her authorized issue to the full amount of the issue of the bank whose notes are withdrawn. In England, the Bank of England can, in a similar case, issue only to the extent of two-thirds of the issue of the bank whose notes are withdrawn. There is no similar provision in the Act referring to Scotland.

4. Another difference may be noticed between Ireland and Scotland. All the notes issued at the branch banks

in Scotland are payable only at the head office of the bank that issued them. In Ireland all the notes are legally demandable in gold at the branches where they have been issued. Hence the banks in Ireland must keep some gold at every branch, while the banks in Scotland need not have any gold except at the head office. In both countries the banks must hold a stock of gold equal to the amount of notes in circulation beyond the authorized issue. And, according to the Act, this gold must be at the head office, or chief place of issue. The gold held at the branches, however necessary for business purposes, is not taken into account in the returns to the Stamp-office. The banks, indeed, return the whole amount of the gold in their possession; and it is this which is published in the newspapers. But the amount held against the excess of authorized issue must be held at the chief office, or other chief places of issue. In the Provincial Bank of Ireland, these places are Cork, Limerick, Dublin, and Belfast. They are desirous of having in addition Waterford and Sligo.

The banking institutions of Dublin are the Bank of Ireland, which is a chartered bank, like the Bank of England. It is the Government bank. It issues notes, and has branches in the principal towns throughout Ireland. It has now no exclusive privileges.

The Provincial Bank of Ireland and the National Bank of Ireland.—These are joint-stock banks that issue notes, and have numerous branches. These two banks are governed by boards of directors, who meet in London. The Clonmel National Bank and the Carrick-on-Suir National Bank, though legally distinct, are viewed as branches of the National Bank of Ireland.

The Hibernian Bank and the Royal Bank of Ireland.—These are joint-stock banks, that do not issue notes, and have no branches, except that the Hibernian Bank has a branch at Drogheda.

The private banks of Messrs. La Touche & Co., Messrs. Ball & Co., and Messrs. Boyle, Low, Pim & Co.

There are three joint-stock banks at Belfast, all of which issue notes and have branches. They are the Northern Bank, the Belfast Bank, and the Ulster Bank.

There is also a joint-stock bank at Tipperary, which does not issue notes, but has several branches. The head office is at Clonmel.

A Table of all the Joint Stock Banks now existing in Ireland.

From Thom's Statistics of Ireland, 1855.

When Instituted.	NAME.	Capital.	Capital paid up.	No of Partners.	Fixed Issue.	No. of Branches.
		£	£		£	
1783	Bank of Ireland	3,000,000	3,000,000	—	3,738,428	23
1824	*Hibernian Joint Stock Co., Dublin	1,000,000	250,000	—	—	2
1825	Provincial Bk. of Ireland	2,000,000	500,000	867	927,667	38
1825	Northern Banking Co., Belfast	500,000	150,000	179	243,440	11
1827	Belfast Banking Co.	500,000	125,000	264	281,611	22
1835	National Bk. of Ireland.	1,000,000	450,000	913	761,757	45
1836	Ulster Banking Comp., Belfast	1,000,000	187,000	489	311,079	18
1836	Clonmel National Bank of Ireland	80,000	16,235	1050	66,428	2
1836	Carrick-on-Suir Nation. Bank of Ireland	40,000	4,962	973	24,084	—
1836	*Royal Bank, Dublin	1,044,250	209,075	437	—	—
1839	*Tipperary Joint Stock Company	—	—	49	—	8

The following table shows the number of banks of issue in the four Provinces of Ireland respectively in the year 1852.†

BANKS.	No. of Branches.	Ulster.	Leinster.	Manster.	Connaught.
Bank of Ireland...	24	4	10	6	4
Provincial Bank ..	38	15	7	13	3
Belfast Bank	23	20	3	—	—
Northern Bank ...	12	12	—	—	—
Ulster Bank	18	18	—	—	—
National Bank	48	1	13	25	9
	163	70	33	44	16
POPULATION.	6,515,794	2,004,289	1,667,771	1,831,817	1,011,917

* Those banks marked * do not issue their own notes.

† The remainder of this section is taken from two papers on "The Laws of the Currency in Ireland," which I read at Belfast in September 1852, before the Statistical Section of the British Association for the advancement of Science. These papers are printed in the Journal of the Statistical Society of London.

In the year 1845 an act was passed for the regulation of bank notes in Ireland. The average amount of notes that had been in circulation during the year ending May 1, 1845 (6,354,494), was made the fixed or authorized issue. For any amount beyond its authorized issue, each bank was required to hold an equal sum in gold or silver coin, the silver not to exceed one-fourth of the whole. The act came into operation on the 6th Dec. 1845, and from that period each bank has made returns to the Government, stating the average amount of notes in circulation during the preceding four weeks, distinguishing the notes under 5*l.* from those of 5*l.* and upwards, and stating the amounts of gold and silver coin it held in its vaults. These returns are made by all the banks of circulation in Ireland. These are—the Bank of Ireland, the Provincial Bank of Ireland, the National Bank of Ireland, the National Bank of Clonmel, the National Bank of Carrick-on-Suir, and the three banks in Belfast, viz. the Northern Bank, the Belfast Banking Company, and the Ulster Banking Company.

We possess these returns for every four weeks from Jan. 1846 to the present time. By adding together all the returns made during each year, and then dividing by thirteen, we obtain of course the average amounts in circulation from 1846 to the year 1851, inclusive. I have also added the proportion per cent. these averages bear to the certified circulation of 6,354,494*l.* The following are the average amounts in circulation :

	Average Circulation.	Proportion to Certified Circulation.
1846 . . .	£7,259,948	114.25
1847 . . .	6,008,833	94.55
1848 . . .	4,828,992	76
1849 . . .	4,310,283	67.83
1850 . . .	4,512,444	71
1851 . . .	4,462,909	70.25

From this table it appears that, if the authorized issue be represented by the number 100, the actual circulation for the six years 1846 to 1851 inclusive will be represented by the numbers 114, 94, 76, 67, 71, 70. The question naturally occurs to us—What is the cause of this great falling off in the annual circulation since the passing of the

act of 1845? In reply, we may observe that the annual productiveness of the harvest would affect the amount of notes in circulation. From the description of the harvests given in the Annual Reports of the Provincial Bank of Ireland, we learn that the years 1846 and 1848 were disastrous in regard to the produce of the harvest; and we consequently find, as we should naturally expect, a falling off in the following years in the circulation of bank notes. We may also observe, that a bad harvest in one year may, by the distress it produces, cause a less production of commodities in several following years, and hence there may be a less demand for bank notes. In a bad harvest the farmer consumes his own produce instead of selling it, and thus requires not the use of notes. If his potatoes are destroyed, he will consume his grain. The distress of the farmer also diminishes the instruments of reproduction. If he has no potatoes he can rear no pigs. An abundant crop of potatoes produces in the following year an abundant crop of pigs, but a famine of potatoes will be followed by a famine of pigs; and hence the distress of one year may have the effect upon the circulation of notes in several succeeding years. After the failure of the potato crop in 1846 the exportation of swine was reduced from 480,827 in 1846, to 106,407 in 1847. The potato crop again failed in 1848. The number of swine exported in 1848 was 110,787; in 1849 it was only 68,053.

We may also observe, that a reduction in the quantity of commodities produced may be caused by a reduction in the number of producers, and this would occasion a less demand for bank notes. It appears from the census of 1841 and 1851, that, between these two periods, the population has declined 1,659,330, or at the rate of 20 per cent.; and calculations have been made to show that the whole of this decrease had taken place since the year of the famine, 1846. Such a decrease, from whatever cause, must be attended with a decrease in the commodities produced and consumed by those individuals, and will consequently have occasioned a less demand for bank notes to pay for those commodities. If the lands previously occupied by this departed population remain uncultivated, there is a direct decrease in the agricultural produce. Such

might be the effect where the occupants died. Emigration might produce an additional effect. The emigrants, before their departure, would change all their bank notes into gold to take with them, and thus would occasion a further reduction of the circulation. This decrease of the population occurred chiefly among those who had but small holdings in land. Those small cultivators are compelled to bring their produce to market immediately after the harvest, and hence the circulation rises in September and October. From these small holdings, too, the produce is brought to market in small quantities—"each man brings his sack of oats, or two or three pigs, to market"—and hence the circulation, thus occasioned, must consist chiefly of small notes. We may further observe, that the amount of notes which circulate in a country will also be affected by the quantity of commodities exported, and the quantity imported. The season in which there is the greatest export of commodities is the season of the highest circulation. But importation withdraws the notes previously in circulation. The effect of diminished exports and increased imports is referred to in the Reports of the Provincial Bank of Ireland, every year from 1847 to 1851; and Mr. Murray states, in his evidence before the Committee on Commercial Distress, that not only was the amount of notes reduced, but also that of silver.

Thus we find that the reduction in the amount of notes in circulation in Ireland has been preceded or accompanied by a reduction in the amount of commodities produced, occasioned by a reduced productiveness in the land actually cultivated, a destruction in the instruments of reproduction by the distress thus occasioned, a reduction in the number of producers by deaths and emigration, and the exportation of an increased portion of its capital in exchange for food. But there is another circumstance that concurs in powerfully producing the same effect—that is, the prices at which the commodities brought to market are sold.

The failure of the crops in Ireland led the late Sir Robert Peel to introduce "An Act to amend the laws relating to the importation of Corn." It is 9 & 10 Vict. cap. 22, and was passed June 26, 1846. A large reduction was made in the duty immediately; and it was enacted

that, after the 1st day of February, 1849, the duty on wheat, barley, oats, &c., should be only 1s. per quarter. And in consequence of the increased distress in Ireland, another act was passed, in January 1847, (9 Vict. cap. 1.) to suspend, until the first day of the following September, all duties on the importation of corn. In consequence of these acts, large importations took place, and the prices gradually declined. I have no means of ascertaining the average prices of grain throughout Ireland, but I have obtained from a London corn-merchant the average prices of wheat, barley, and oats, for each year from 1841 to 1851, and taking in each case the prices of the year 1845 as represented by 100, I have calculated the variations per cent. in the subsequent years. On comparing the years 1845, and 1851, we find that the circulation has declined 35·78 per cent., the price of wheat has declined 24 per cent., of barley 21·85 per cent., and of oats 17·40 per cent. If we compare the year 1841 with 1851, the decline of the circulation will only be at the rate of 16·7 per cent., while the price of wheat shows a decline of 40 per cent., of barley 25 per cent., and of oats 17 per cent.

From the whole, we infer that the difference between the amount of bank notes circulating in a country at two distant periods cannot be regarded as any correct test of the condition of its inhabitants at those periods, unless we take into account all the circumstances by which that difference is attended—that the decline of the circulation of bank notes in Ireland, from the year 1845 to 1851, is no accurate measure of the distress that has existed in the country, or that may now exist, as other causes besides distress have concurred in producing that effect—that in comparing the circulation of 1845 and 1851 we are making a comparison unfavourable to the country, as the year 1845 was a year remarkable for the high amount of its circulation—and that we should indulge in no gloomy inferences as to the condition of the country, even if the circulation should never recover its former amount.

Having considered the changes that have taken place in the annual amount of notes that have circulated in Ireland since the passing of the act of 1845, I shall consider the monthly changes in the amount of the circulation.

Let us take up the returns, and look at any year we please, and we shall find that all the months vary from each other. Beginning at January, the amount of the circulation usually declines—slowly at first, but more rapidly in May, June, and July, until, by the end of August, we arrive at the lowest point. Then, in September, it begins to ascend, and goes on increasing till January, and then again declines till August. Now, let us inquire what are the laws which regulate these monthly variations. I stated that the annual variations were caused by variations in the quantity and price of agricultural produce. But, as no notes could be put into circulation until this produce is brought to market, the monthly circulation must depend upon the quantity of produce brought to market within the month. Now, it has been the custom in Ireland to commence bringing the produce to market immediately after the harvest. Hence arises the increase of the notes in September, and their further increase in the following months. But, in the beginning of the year the landlords collect their rents, and receive from their tenants the notes for which this produce has been sold; this brings the notes back to the bank, either to be placed to his credit (if he have an account there), or, otherwise, in exchange for a letter-of-credit on Dublin, or a bill on London. The circuit of a note, then, is this:—It is obtained from the bank by a corn-merchant, who pays it to a farmer for his corn, which he ships to England. The farmer afterwards pays the note for rent to his landlord, who brings it back to the bank. Every month the bank is issuing and retiring notes, but from August to January, it issues more than it retires; and hence the amount of notes in circulation increases, and, from January to August, it retires more notes than it issues, and hence the circulation falls.

We may notice another feature suggested to us by these Public Returns. We observe that a portion of the circulation consists of notes of 5*l.* and upwards, and another portion of notes under 5*l.*; and it may be useful to inquire if these two classes of notes are subject to the same laws, and whether they rise and fall at the same time, and in exact proportion to each other. Viewing the monthly circulation, we observe that the small notes, like the large

notes, are at their lowest amount about the month of August, and at their highest amount about January. But we observe, also, that from August the small notes increase more rapidly than the large ones, and after January they decline more rapidly; so that in every year the proportion of small notes in circulation is greater in January than in August. It may be observed too, that the circulation of the Belfast banks includes a much larger proportion of small notes than is contained in the circulation of the other banks. To show this, it will be sufficient to analyse one of these Returns. Upon the total circulation of all the banks, the proportion of small notes on the 7th of August, 1852, is 49·39 per cent., upon that of the Bank of Ireland, 34·73 per cent., the Provincial Bank, 58·82 per cent., the National Banks, 59·93 per cent., and the Belfast Banks, 86·55 per cent.

I have one feature more to notice in these Returns—that is, the amount of gold and silver kept by the banks, in order to meet the payment of their notes. For several years past, the Act of 1845 has not required the Irish banks to keep any amount of gold or silver, for they have always been below the authorized circulation; but another act, passed in the year 1828, through the influence of Mr. Spring Rice—now Lord Monteagle—requires that all notes should be payable in gold on demand at the place of issue. The gold and silver kept by the banks have only been to the amount that they deemed necessary or prudent for the purposes of business.

We observe from these returns that the annual average amount of gold and silver kept by all the banks has varied from 29 to 36 per cent. We observe, too, that in the years when the circulation has been low, the amount of gold and silver has been higher in proportion than in those years when the circulation has been high. Taking the average of years from 1847 to 1851, the *lowest* amount of gold, in proportion to its circulation, has been kept by the Bank of Ireland. The proportion varies from 24 per cent. in 1851, to 30 per cent. in 1849. The highest proportion has been kept by the Provincial Bank. It has varied from 38 per cent. in 1851, to 52 per cent. in 1849. We may also state that, in the monthly variations, the lower the

circulation the higher the proportionate amount of gold and silver. This arises, it may be presumed, from the circumstance that the banks do not vary the amount of their gold and silver with every variation of the circulation. The proportion of silver to gold kept by all the banks, has varied from 20 to 33 per cent., but the proportion varies very much with different banks.

The amount of gold necessary to be kept against any given amount of notes in circulation, is purely a question of management, and depends upon a variety of circumstances. The degree of public confidence the bank may have acquired, the excitable character of the population, the state of commercial credit, the facility of obtaining supplies, and the rapidity of communication with its branches, are all to be taken into calculation by a prudent banker. Gold can now be so readily obtained from England by means of steam-boats, and distributed throughout Ireland by means of railways, that so large an amount may not be so necessary as formerly. The railways, and the electric telegraph, are useful to bankers, and present another instance of the utility of scientific discoveries to men of business.

I shall conclude this paper by inquiring, In what way will the recent discovery of gold in California and Australia practically affect the operations of the banks in Ireland?

These banks now obtain a low rate of interest on that portion of their funds which they employ in London. So long as fresh importations of gold take place in London, and the Bank of England shall be compelled by law to purchase all the gold imported, so long will the rate of interest be low in the London money-market. For the notes issued in the purchase of this amount of gold is thrown at first into the hands of the London bankers or money-dealers, and its abundance, in proportion to the demand, reduces the rate of interest at which it is lent. As the Irish banks keep their reserves in London, they must, in order to have securities at all times available, be content to take this low rate of interest. But there are several circumstances which would lead us to suppose that the banks will be disposed to diminish their funds in London, as far as

prudently they may, and to employ a larger portion in making advances in Ireland.

The abundance of money in England, and the low rate of interest that can be obtained for it there, will naturally have a tendency to drive it for employment to Ireland. New associations will probably be formed to constitute public works, such as railways, &c., in Ireland, or to carry on those branches of manufacture or commerce that can advantageously be carried on by public companies. These associations, by the capital they bring into the country, by the new operations they may introduce, by the confidence they may infuse, and even by the occasional advances they may need, will be useful to the banks and to the country.

The circumstances of Ireland, too, are favourable to this further employment of capital in Ireland. The Encumbered Estates Bill has broken down large estates, and placed them in the hands of parties who are in a condition to improve them. Large land-proprietors, who are nominally in possession of great estates, which are mortgaged for more than they are worth, are not desirable customers to a bank, nor are pauper cultivators, who are always behind in their rents; but the cultivators of moderate-sized estates, which they have purchased by the results of previous industry, and who have skill and prudence to cultivate them with advantage, are parties to whom banks may advance additional capital, with advantage to themselves and to the country. This is the class that forms a "nation's pride;" and to this class the banks of Ireland may in the spirit, if not in the form of the cash-credit system, make such advances as shall produce in Ireland the same beneficial effects which that system has produced in Scotland.

Another circumstance is favourable to the advance of capital by the banks. From the extent of emigration, many instances must have occurred of small farms being united and constituting large ones. The occupiers of these large farms will be a superior class of people, and more worthy of credit and confidence. A banker may readily and prudently grant assistance to the occupier of a large farm, formed of ten small farms, though he could not

prudently give assistance to any one of the ten by whom the small farms were cultivated.

The state and condition of the banks of Ireland are favourable to their efficiency in promoting the prosperity of the country. The history of banking proves that it is better for a country to have a small number of large banks than a large number of small banks. The latter case has never been a natural production, but has been the result of injudicious legislation. The banks in Ireland are sufficiently strong to command public confidence, and have the means of increasing their capital, and extending their branches. They are numerous enough to prevent monopoly, and yet few enough to be protected against the spirit of excessive competition. No new bank of issue can be formed. Though this prohibition is, as we conceive, a violation of a sound general principle, yet it is one of those practical enactments which seem to show that, in political economy, some of its general principles, or, as they are called, abstract principles, admit occasionally of beneficial exceptions. This law serves to prevent the formation of weak banks, who might inflict on the country the evils of excessive competition; and, as in the case of the Agricultural Bank in 1836, might weaken public confidence in better establishments. A strong confidence in its banking institutions, as in Scotland, is the growth of generations, and when justified by the character of the banks themselves, is a powerful cause of national prosperity. Banks thus situated having no reasons to be anxious about their own safety, can, in seasons of distress, employ the whole of their resources to alleviate the public calamity.

From all these circumstances, we are led to believe that we may expect in future years a high degree of prosperity for Ireland, arising from the administration of her banking institutions.

SECTION XII.

TEN MINUTES' ADVICE ABOUT KEEPING A BANKER.

1. A **BANKER** is a man who has an open shop, with proper counters, clerks, and books, for receiving other people's money in order to keep it safe, and return it upon demand.

2. The building or shop in which this business is carried on, is usually called in London a "Banking-house," but in Scotland, and in the country parts of England, it is called a "Bank." The word "bank" is also employed to denote the partnership or company who carry on the business of banking. Thus we say, the Bank of Scotland, the London and Westminster Bank, the Bank of Messrs. Coutts & Co.

3. When a company of this kind does not consist of more than six partners, it is called a "Private Bank;" but when the company consists of several hundred partners, it is called in Scotland a "Public Bank," and in England a "Joint Stock Bank."

4. A private bank is usually managed by one or more of the partners, and all the partners are styled Bankers. A public bank is managed by a principal officer, who is usually styled a Manager. In England a bank-manager is not commonly called a banker; but in Scotland all managers of banks, and managers of branch banks, are called bankers. So mind, when I use the word "banker," you may apply it to either a private banker or to a bank-manager, whichever you please, as my observations will be as applicable to one as to the other. A banker is a man who carries on the business of banking; and whether he carries it on upon his own account, or as the agent of a public company, it appears to me to make no difference as to his claims to be called a banker.

5. It is the business of all these banks to receive other people's money, and to return it upon demand. And when any person puts money into one of these banks he

is said to have opened an account with the bank; and when he has thus opened an account, and continues to put in and draw out money, he is said to have a current account, or, in London phraseology, "to keep a banker."

6. In Scotland almost every man has an account of some sort with a bank. The rich man in trade has an account because of the facility of conducting his operations: the rich man out of trade has an account because he gets interest upon his lodgments, and he keeps his money in the bank until he has an opportunity of investing it elsewhere at a better rate of interest. The middle class of people have an account because of the convenience of it, and because they obtain the discount of their bills, and perhaps loans, on giving two sureties, which are called cash credits. The poorer classes lodge their small savings in the bank, because of the security, and because they get interest on the sums which are lodged.

7. But in London the practice of keeping an account with a bank is by no means so common as in Scotland. The London banks are banks only for the rich. The bankers require that every person opening an account shall always have a sum to his credit; and if the sum thus kept is not what they deem sufficient, they will close the account. Hence the middle class of people in London have no banker at all, and the poorer class lodge their money in the savings banks, where they get interest, which they would not get from the London banker. It should also be stated, that besides keeping a sufficient balance, a party opening an account with a London banker is expected to give a certain sum every year to the clerks. This is called Christmas money, and the object is merely to enable the banker to pay a less salary to his clerks, at the expense of his customers.

8. But within a few years, public or joint-stock banks have been established in London. These banks, or at least some of them, will allow you to open an account without promising to keep a large balance, or even any balance at all, provided you pay a small sum annually as a commission. This sum is fixed when you open the account, and it is about the same that you would be expected to give as Christmas-money to the clerks of a

private bank. Hence people of moderate incomes, and those who can employ the whole of their capital in their business, are now able to keep a banker. These banks, too, give interest on deposits, whether the sums be large or small, as I shall hereafter explain.

9. The first public or joint-stock bank established in London was the London and Westminster Bank. This bank is in Lothbury, and it has branch establishments at No. 1, St James's-square; No. 214, High Holborn; No. 3, Wellington-street, Borough; No. 87, High-street, Whitechapel; No. 4, Stratford-place, Oxford-street; and No. 217, Strand. The success of this bank has led to the formation of several others. You will observe, that all banks which have branches conduct their business on the same terms at the branches as they do at the central office.

10. Since, then, the Scotch system of banking is established in London, why should not the keeping of a banker be as general in London as in Scotland? I have stated that, under the old system, those chiefly who were denied banking facilities were the middle class of people. Now, these people may be subdivided into two classes—those who are engaged in trade, and those who are not. I shall address myself, in the first place, to the former class.

11. Now, I ask you, why don't you keep a banker? You say you have been in business several years, and have never kept one. Of course, if no banker would take your account you could not do otherwise; but now there are bankers willing to take your account. But you say, you can do without a banker. Of course you can. The question is, not whether by possibility you can do without a banker, but whether you cannot do better with one? But you reply, it would not be worth any banker's while to take your account. That is for his consideration, not for yours. The question for you to decide is, not whether your keeping a banker would be of use to him, but whether it would be of use to yourself. I shall point out to you some of the advantages.

12. In the first place, by keeping a banker, your money will be lodged in a place of security. You have now 50% or 100%, or perhaps sometimes 200% that you keep in your own house; you take it up into your bedroom at

night, and when you go out on Sunday you carry it in your pocket. Now you may lose this money out of your pocket—the till may be robbed by your servants—or your house may be broken open by thieves—or your premises may take fire and the money may be burnt. But even should you escape LOSS, you cannot escape ANXIETY. When you have a little more money than usual, you have fears and apprehensions lest some accident should occur. Now you will avoid all this trouble by keeping a banker.

13. The banker will not only take care of your money, but also of anything else you commit to his charge. You can get a small tin box with your name painted on it, and into this box you can put your will, the lease of your house, policies of insurances, and any deeds or other documents that require particular care. You can send this box to your banker, who will take care of it for you; and you can have it back whenever you like, and as often as you like. If your premises are insured, it is clearly improper to keep the policy on the premises: for if the house be burnt the policy will be burnt too; and where then is your evidence of claim upon the insurance office?

14. Another advantage is the saving of time. When you receive money you will send it in a lump to the bank; and when you pay away money you will draw cheques upon the bank. Now to draw a cheque takes up much less time than counting out the money that you have to pay, and perhaps sending out for change because you have not the exact sum. Besides, you sometimes hold bills which, when due, you have to send for payment; now you can lodge these with your banker, who will present them for you. And when you accept bills, you will make them payable at your banker's, instead of making them payable at your own house. Now in all these cases there is a great saving of time; and, besides, your bills, from being made payable at a bank, will be considered more respectable.

15. Another advantage of keeping a banker is, that it will be a cheque upon your accounts. I need not speak to you, as a trader, of the importance of correct accounts. Your banker's book will be an authentic record of your cash transactions. If you make a mistake in your trade books, the banker's book will often lead to a detection of

the error. If you have paid a sum of money, and the party denies having received it, you can refer to your banker's account, and produce your cheque, which is as good as a receipt. By means of a banker's account you could trace your receipts and payments, even after a number of years had elapsed; and hence disputed accounts could be readily adjusted, and error, arising from forgetfulness or oversight, be speedily rectified.

16. I could mention several other reasons why you should keep a banker.* But what I have said will be enough to induce you to make a trial; and when you have once opened an account, you will find so much convenience from it, that you will require no further reasons to induce you to continue it. If it should not answer your expectations, you can, whenever you please, close it again.

17. Now then, as you have made up your mind to keep a banker, the next thing is to determine at what bank you will open your account. On this point I must leave you to make your own choice. All the PUBLIC BANKS issue prospectuses containing the list of their directors, the amount of their paid-up capital, the names of the bankers who superintend their respective establishments, and their rules for transacting business. You can get a prospectus from each bank, compare them together, and please your own fancy. But if you have no other grounds for preference, I advise you to open your account with the BANK, or BRANCH BANK, that is NEAREST TO YOUR OWN PLACE OF BUSINESS. You will often have to go or send to the bank, and if it be a great way off, much time will be lost, and you will at times be induced to forego some of the advantages of keeping a banker rather than send to so great a distance. On this account, let your banker be your neighbour. Recollect, time is money.

18. There is no difficulty in opening an account. You will enter the bank, and ask for the manager. Explain to him what you want to do. He will give you every information you may require, and you will receive, without

* The reasons assigned here have a reference chiefly to London banking. The operations of country banking are familiarly described in "The Anatomy and Philosophy of Banking; or, the true Character and Value of Banks briefly explained to the Middle Classes of Society. By James Strachan." (Groombridge.)

charge, a small account book, called a Pass-book, and a book of cheques. I advise you to keep these two books, when not in use, under your own lock and key.

19. You now require no further advice from me, as your banker will give you the most ample information respecting the way of conducting your account. Nevertheless, I may mention a point or two for your own government:—Do not depend entirely upon your banker's Pass-book, but keep also an account in a book of your own. Debit your banker with all cash you may pay into the bank, and credit him for all the cheques you may draw at the time you draw them. Send your Pass-book frequently to be made up at the bank, and when it returns, always compare it with your account book. This will correct any mistake in the Pass-book. Besides, some of your cheques may not be presented for payment until several days after they are drawn, and if, in the meantime, you take the balance of the banker's Pass-book, you will seem to have more ready cash than you actually possess, and this may lead you into unpleasant mistakes.

20. When you lodge any money at the bank, always place the total amount of the cash and your name, at full length, upon the outside of the parcel, or on a slip of paper. The cashier will then see at once if he agrees with your amount. This will save time, and prevent mistakes.

21. Be always open and straightforward with your banker. Do not represent yourself to be a richer man than you are; do not discount with your banker any bills that are not likely to be PUNCTUALLY paid when due; and, should any be unpaid and returned to you, pay them yourself IMMEDIATELY. Do not attempt to OVERDRAW your account: that is, do not draw cheques upon your banker for more money than you have in his hands, without first asking his consent; and if you make him any promises, be sure that they be strictly performed. If you fail ONCE, the banker will hesitate before he trusts you again.

22. Should you be dissatisfied with anything connected with your account, make your complaint to the BANKER himself, and not to the clerks. Let all your communications be made in PERSON, rather than by LETTER. But do

not stay long at one interview. Make no observations about the weather or the news of the day. Proceed at once to the business you are come about, and when it is settled, retire. This will save your banker's time, and give him a favourable impression of your character as a man of business.

23. If you are in partnership, besides opening an account with your banker in the names of the firm, you should open a private account for yourself, that your personal affairs may be kept separate from those of the partnership. Or if you are in an extensive way of business, and have a large family, it is advisable that you open a separate account with your banker, in the name of your wife, that your trade payments and your household expenses may not be mixed up together in the same account. This is a good way of ascertaining the exact amount of your family expenditure.

24. If you are appointed executor or assignee to an estate, or become treasurer to a public institution or charitable society, open a separate account with your banker for this office, and do not mix other people's monies with your own. This will prevent mistakes and confusion in your accounts. These separate accounts may be kept still more distinct by being opened with another banker, or at another branch of the same bank.

25. There are a good many of the middle class of people who are not in trade, and I must now address them. Perhaps you are a clergyman, or a medical man, or you are in a public office, or are living on your rents, or dividends. At all events, whatever you may be, I conclude you are not living beyond your means. If you are, I have not a word to say to you about keeping a banker; you will soon, most likely, be within the keeping of a gaoler.

26. Several of the reasons I have given to the trader will also apply to you; but there is one that applies with much greater force—the tendency to ensure accurate accounts. As you are not a man of business, I shall not advise you to keep an account of your receipts and your expenditure. I know you will do no such thing. Should you ever commence to do so, you will get tired before the

end of the year, and throw the book aside. Now, if you keep a banker, he will keep your accounts for you; his Pass-book will show you the state of your accounts. All the money you receive you must send to the bank, and all your payments must be made by cheques upon the bank. If you want pocket-money, draw a cheque for 5*l.* or 10*l.*, payable to Cash, but by no means disburse any money but through your banker. Your book will be balanced every half-year. You will then see the total amount of your receipts during the half-year, and your various payments to the butcher, the baker, the tailor, &c. &c. The names to which the cheques are made payable will show you for what purpose they were given, and you should write these names in a plain hand, that the clerks may copy them correctly in the Pass-book. Now, if you look through your book once every half-year in this way, you will probably see occasion to introduce some useful reforms into your domestic expenditure. But if you are too lazy to do this, hand the book to your wife, and she will do it for you.

27. I shall now address another class of people. Perhaps you are a clerk, or a warehouseman, or a shopman, or a domestic servant. Well, you have no occasion to keep a banker; that is, you have no occasion to open a current account. But you have got a little money which you would like to put into a safe place, and upon which you would like to receive interest. Well, now, listen to me.

28. If the sum be under 10*l.*, or if the sum be above 10*l.*, and you are not likely to want it soon, put it into the savings bank; you will receive interest for it at the rate of about 3*l.* for every 100*l.* for a year. But mind, you can only put money into the savings bank at certain hours in the week, when the bank is open, and you cannot put in more than 30*l.* in any one year, nor more than 150*l.* altogether, and you will receive no interest for the fractional parts of a month, and you cannot draw out any money without giving notice beforehand.

29. If, then, your money is more than 10*l.*, and you have already lodged 30*l.* this year in the savings bank, or 150*l.* altogether, or if you will have occasion to draw out

your money without giving notice, then lodge it in one of the public banks. These banks are open every week-day from nine o'clock in the morning till four in the evening; they will take lodgments of money to any amount, and interest will be allowed from the day it is lodged until the day it is drawn out; and if the sum is under 1,000*l.* no notice is required. For all sums lodged on interest the bankers give receipts called deposit receipts.

30. When you go to the bank to lodge upon interest any sum under 1,000*l.* you need not inquire for the manager. Hand your money to any clerk you may see standing inside the counter, and ask for a deposit receipt. You will be requested (the first time you go) to write your name and address in a book which is kept for that purpose, and then the deposit receipt will be given to you without any delay.

31. Mind, this deposit receipt is not transferable; that is, you cannot lend it or give it to anybody else. When you want the money, you must take it yourself to the bank, and ask the cashier to pay you the amount. You will then be requested to write your name on the back of the deposit receipt; the cashier will see that the signature corresponds with the signature you wrote in the book when you lodged the money, and will then pay you the amount and keep the receipt.

32. Although you cannot lodge upon a deposit receipt a less sum in the first instance than 10*l.*, yet, having lodged that sum, you can make any additions to it you please. Thus, if you wish to lodge 5*l.* more, you can take your 5*l.* note and your deposit receipt for 10*l.* to the bank, and get a new receipt for 15*l.* If, after having lodged 10*l.* you wish to lodge 10*l.* more, you can get a separate receipt for the second 10*l.*, or have a new receipt for 20*l.*, whichever you please; and, observe, whenever any addition is made to a former receipt, the old receipt is cancelled, and the interest due upon it is either paid to you in money, or added to the amount of the new receipt, as may be most agreeable to yourself.

33. The rate of interest allowed upon the money you deposit in the bank will depend upon the value of money

at the time—that is, upon the rate at which the bankers can employ it again.* For the money you lend to the banker, he lends to other people. A part of the interest he receives from other people he gives to you who find the money. A part he keeps to himself for his knowledge and skill in employing the money safely and profitably. When he receives more interest from others, he will give you more. And when he receives less, he will give you less.

34. You will be surprised to find how the desire of lodging money in a bank will grow upon you. When you had the money in your pocket, you were anxious to find reasons for spending it. When you have placed it in the bank, you will be anxious to find reasons for not spending it. All habits are formed or strengthened by repeated acts. The more money you lodge in the bank, the more you will desire to lodge. You will go on making additions, until, at last, you will probably have acquired a sum that shall lay the foundation of your advance to a higher station in society.

35. Nor must you suppose that this desire to get and to save money is an improper one. That wealth is an evil is not the language either of Scripture or Philosophy. It is true, that wealth, like any other blessing, may be desired from improper motives, and sought by improper means, and such an ill-regulated desire may become the root of all evil. But it is not true, that wealth honestly acquired has any tendency either to enervate the intellect, to corrupt the morals, or to impair the happiness of man. The fact is the reverse. Wealth is always represented in Scripture as a blessing, and though partaking of the uncertainty of all earthly blessings, it is a blessing to be received with thanksgiving, and to be employed in promoting the honour of God, and the good of mankind.

“The philosophy which affects to teach us a contempt of money, does not run very deep; for, indeed, it ought to be still more clear to the philosopher than it is to the ordinary man, that there are few things in the world of greater importance. And so manifold are the bearings of money upon the lives and characters of mankind, that an insight which should search out the life of a

* By the recent Stamp Act the rate of interest and the notice of repayment required may be inserted in the receipt.

man in his pecuniary relations, would penetrate into almost every cranny of his nature. He who knows, like St. Paul, both how to spare and how to abound, has a great knowledge: for if we take account of all the virtues with which money is mixed up—honesty, justice, generosity, charity, frugality, forethought, self-sacrifice,—and of their correlative vices—it is a knowledge which goes near to cover the length and breadth of humanity: and a right measure and manner in getting, saving, spending, giving, taking, lending, borrowing, and bequeathing, would almost argue a perfect man.”*

* Taylor's Notes on Life.

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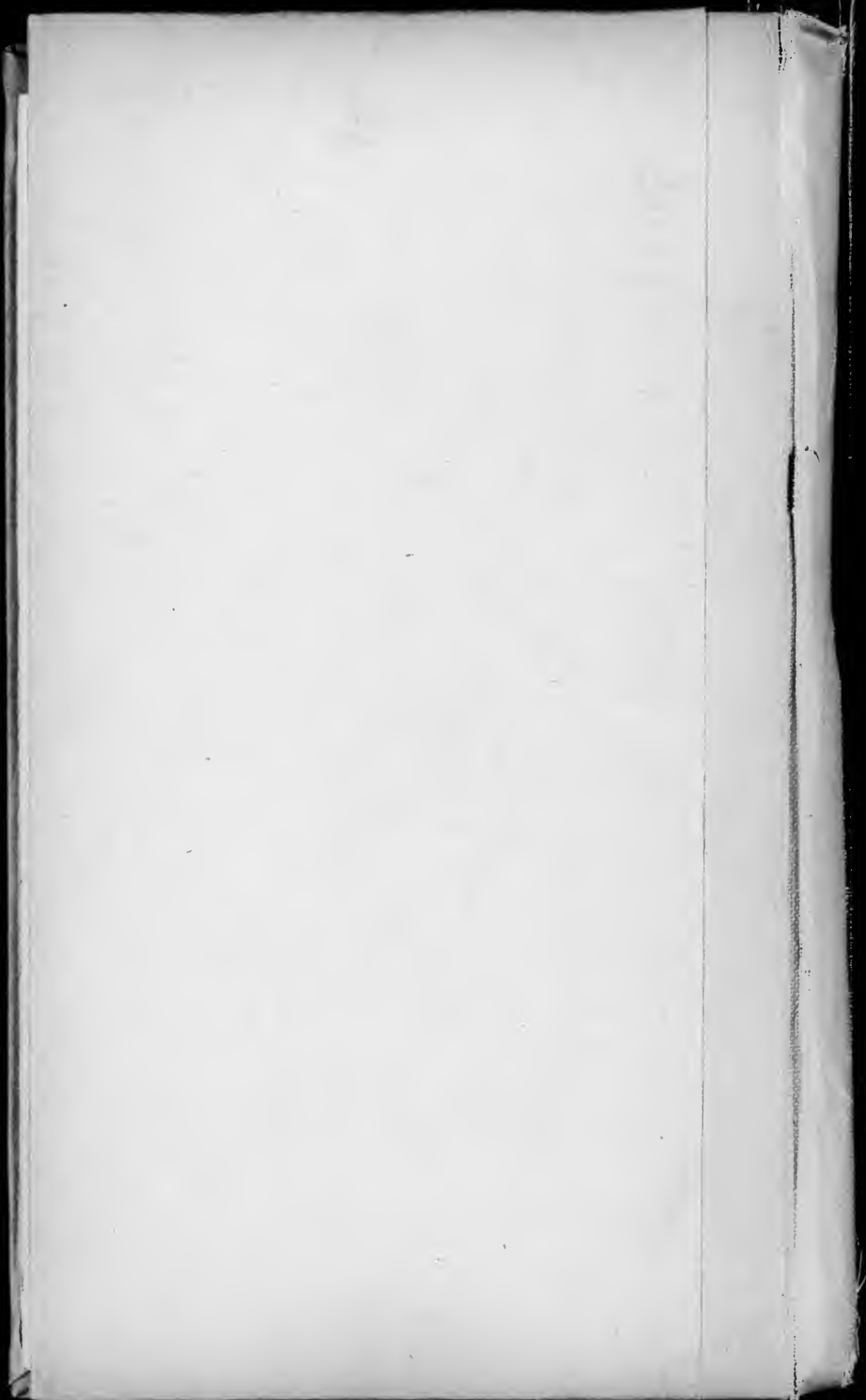


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